



Greater Taung Local Municipality  
Annual Financial Statements for the year 30 June 2017

# Greater Taung Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## General Information

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**Legal form of entity**

Municipality

**Nature of business and principal activities**

Greater Taung Local Municipality is a local municipality performing functions as set out in the constitution of the Republic of South Africa (Act no 108 of 1996)

**Mayoral committee**

Executive Mayor

Motlhabane NC

Executive Committee Members

Gaoboihe LJ  
Menyatso L  
Moipolai KG  
Mongale RA  
Montwedi MK  
Ntatsi NE

Councilors not on EXCO

Babuseng MC  
Balebanye OJ  
Bathalefi KS  
Chalmans KG  
De Koker KS

# Greater Taung Local Municipality

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## General Information

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Diphoko GS  
Ditshakane PM  
Galodikwe GP  
Gaobusiwe GW  
Gaoraelwe TR  
Gasetlolwe FC  
Gezane BG  
IHalenyane LJ  
Hermanus M  
Itumeleng DA  
Lepedi MC  
Kanyane MS  
Kodisang K  
Leshoe MF  
Lobelo K  
Mahura LE  
Mahura LW  
Maila LE  
Makgalemane EI  
Malepe M  
Malepe TV  
Mamapula KL  
March ZB  
Maribe IN  
Maseng  
Matshwe T  
Matuane JA  
Menyatso A  
Mmokwa M  
Moagi K  
Mocumi KB  
Mohitlheng BK  
Mokgobo MR  
Mokoto R  
Molale KR  
Molifi KP  
Mongale OV  
Motshabi DN  
Morweng TS  
Mosinkiemang MV  
Mothibedi SD  
Motshabi MI  
Mpopolai KG  
Ncweng ME  
Olifant MKI  
Olifant OP  
Pitso JT  
Phacwane AS  
Ratake MJ  
Sebe TP  
Sebolai KL  
Sedupane BJ  
Seemelo HD  
Seisho KG  
Seokamo  
Scholts AP  
Sebe TP  
Seepamere KJ  
Seleke OR  
Sethi DJ  
Sibinda EV  
Tlhaganyane T  
Tokwe LC  
Tong

# Greater Taung Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## General Information

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	Totong DG Tshipo GJ Wesi LC
<b>Grading of local authority</b>	Grade 3 local municipality
<b>Capacity of local authority</b>	High capacity
<b>Municipal demarcation code</b>	NW394
<b>Accounting Officer</b>	Gabanakgosi KT
<b>Chief Finance Officer (CFO)</b>	Vermaak MP
<b>Registered office</b>	Municipal Offices Station Street Taung 8580
<b>Business address</b>	Municipal Offices Station Street Taung 8580
<b>Postal address</b>	Private Bag X1048 Taung Station  8580
<b>Bankers</b>	ABSA Bank (Primary) First National Bank Nedbank Limited Standard Bank of South Africa
<b>Auditors</b>	Auditor General of South Africa
<b>Attorneys</b>	Bojansinyane Attorneys Du Plessis Viviers Inc Kgomo Attorneys Inc Mokhetle Attorneys Inc Shuping Attorneys
<b>Chief WIP</b>	Malepe J
<b>MPAC Chairperson</b>	Seleke OR
<b>Speaker</b>	Tladi EH

# Greater Taung Local Municipality

Annual Financial Statements for the year ended 30 June 2017

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The reports and statements set out below comprise the annual financial statements presented to the Council:

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### Abbreviations

FMG	Local Government Financial Management Grant
GRAP	Generally Recognised Accounting Practice
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
MISG	Municipal System Improvement Grant
PAYE	Pay As You Earn
UIF	Unemployment Insurance Fund
VAT	Value Added Tax

# **Greater Taung Local Municipality**

Annual Financial Statements for the year ended 30 June 2017

## **Accounting Officer's Responsibilities and Approval**

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The Accounting Officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the Accounting Officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The Accounting Officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the Accounting Officer to meet these responsibilities, the Accounting Officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Accounting Officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The annual financial statements set out on page 7-92, which have been prepared on the going concern basis, were approved by the Accounting Officer on 31 August 2017.

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**Gabanakgosi KT**  
**Accounting Officer**

**31 August 2017**

# Greater Taung Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Accounting Officer's Report

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The Accounting Officer submits his report for the year ended 30 June 2017.

### 1. Review of activities

#### Main business and operations

The municipality is an organ of state within the local sphere of government exercising legislative and authority within an area determined in terms of the local government municipal demarcation act, 1998.

The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

Net surplus of the municipality was R 61 564 647 (2016: surplus R 82 047 098).

### 2. Going concern

We draw attention to the fact that at 30 June 2017, the municipality had accumulated surpluses of R 671 086 790 and that the municipality's total assets exceed its liabilities by R 671 086 790.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

### 3. Subsequent events

The Accounting Officer is not aware of any matter or circumstance arising since the end of the financial year.

### 4. Accounting policies

The annual financial statements have been prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP), issued by the Accounting Standards Board as the prescribed framework by National Treasury.

### 5. Accounting Officer

The Accounting Officer of the municipality during the year and to the date of this report is:  
Gabanakgosi KT

# Greater Taung Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Statement of Financial Position as at 30 June 2017

		2017	2016 Restated
	Note(s)		
<b>Assets</b>			
<b>Current Assets</b>			
Inventories	3	7 103 882	7 119 106
Receivables from exchange transactions	4&6	24 540 565	14 281 591
Receivables from non-exchange transactions	5&6	21 528 890	20 038 687
VAT receivable	7	7 373 046	6 486 022
Cash and cash equivalents	8	161 944 715	116 037 909
		<b>222 491 098</b>	<b>163 963 315</b>
<b>Non-Current Assets</b>			
Investment property	9	21 534 000	21 534 000
Property, plant and equipment	10	493 228 687	475 076 739
Intangible assets	11	645 015	275 233
		<b>515 407 702</b>	<b>496 885 972</b>
<b>Total Assets</b>		<b>737 898 800</b>	<b>660 849 287</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Finance lease obligation	12	523 267	341 154
Payables from exchange transactions	13	29 109 461	26 097 197
Consumer deposits	14	105 069	123 734
Employee benefit obligation	15	888 501	248 126
Unspent conditional grants and receipts	16	12 162 342	2 514 630
Provisions	17	1 556 074	1 536 267
		<b>44 344 714</b>	<b>30 861 108</b>
<b>Non-Current Liabilities</b>			
Finance lease obligation	12	1 171 686	-
Employee benefit obligation	15	10 600 746	10 035 279
Provisions	17	10 694 864	10 430 757
		<b>22 467 296</b>	<b>20 466 036</b>
<b>Total Liabilities</b>		<b>66 812 010</b>	<b>51 327 144</b>
<b>Net Assets</b>		<b>671 086 790</b>	<b>609 522 143</b>
Accumulated surplus		671 086 790	609 522 143

\* See Note 42



# Greater Taung Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Statement of Financial Performance

		2017	2016 Restated
	Note(s)		
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	20	7 794 595	8 256 899
Rental of facilities and equipment	21	483 985	361 042
Other income	23	1 420 364	1 340 010
Investment income	24	14 392 945	10 863 603
<b>Total revenue from exchange transactions</b>		<b>24 091 889</b>	<b>20 821 554</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	25	26 848 632	14 277 978
Property rates - penalties imposed	25	3 153 005	3 271 460
<b>Transfer revenue</b>			
Other income	23	100 112	84 650
Government grants and subsidies	26	212 930 999	208 464 420
<b>Total revenue from non-exchange transactions</b>		<b>243 032 748</b>	<b>226 098 508</b>
<b>Total revenue</b>	19	<b>267 124 637</b>	<b>246 920 062</b>
<b>Expenditure</b>			
Employee related costs	27	(69 801 191)	(71 598 247)
Remuneration of councillors	28	(15 652 732)	(17 691 165)
Depreciation and amortisation	29	(32 038 636)	(17 853 567)
Finance costs	30	(1 552 979)	(1 634 831)
Allowance for impairment	31	(3 209 291)	7 143 997
Repairs and maintenance	32	(14 335 284)	(7 857 182)
Bulk purchases	33	(3 301 956)	(3 208 721)
Contracted services	34	(17 250 364)	(13 696 915)
General expenses	35	(48 453 691)	(38 779 776)
<b>Total expenditure</b>		<b>(205 596 124)</b>	<b>(165 176 407)</b>
<b>Operating surplus</b>		<b>61 528 513</b>	<b>81 743 655</b>
Actuarial gains / (losses)	15	512 846	344 207
Loss on disposal of property, plant and equipment		(476 712)	(40 764)
		<b>36 134</b>	<b>303 443</b>
<b>Surplus for the year</b>		<b>61 564 647</b>	<b>82 047 098</b>

\* See Note 42

# Greater Taung Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Statement of Changes in Net Assets

	Accumulated surplus	Total net assets
<b>Balance at 01 July 2015</b>	<b>527 475 045</b>	<b>527 475 045</b>
Changes in net assets		
Surplus for the year	82 047 098	82 047 098
Total changes	82 047 098	82 047 098
Opening balance as previously reported	600 154 593	600 154 593
Adjustments		
Prior year adjustments	9 367 550	9 367 550
<b>Restated* Balance at 01 July 2016 as restated*</b>	<b>609 522 143</b>	<b>609 522 143</b>
Changes in net assets		
Surplus for the year	61 564 647	61 564 647
Total changes	61 564 647	61 564 647
<b>Balance at 30 June 2017</b>	<b>671 086 790</b>	<b>671 086 790</b>
Note(s)		

\* See Note 42

# Greater Taung Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Cash Flow Statement

		2017	2016 Restated
	Note(s)		
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Grants		222 578 711	179 889 999
Sale of goods and service		23 303 084	21 924 573
Other receipts		1 520 476	1 424 660
Interest income from investing activities		14 392 945	10 863 603
		<u>261 795 216</u>	<u>214 102 835</u>
<b>Payments</b>			
Employee costs		(83 451 321)	(87 184 372)
Cash paid to suppliers and employees		(80 313 807)	(61 121 492)
Finance costs		(1 552 979)	(1 634 831)
Other payments		(887 024)	(5 144 498)
		<u>(166 205 131)</u>	<u>(155 085 193)</u>
<b>Net cash flows from operating activities</b>	38	<u><b>95 590 085</b></u>	<u><b>59 017 642</b></u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	10	(51 654 939)	(42 352 359)
Proceeds from sale of property, plant and equipment	10	1 038 886	-
Purchase of other intangible assets	11	(421 024)	(12 218)
<b>Net cash flows from investing activities</b>		<u><b>(51 037 077)</b></u>	<u><b>(42 364 577)</b></u>
<b>Cash flows from financing activities</b>			
Finance lease payments		<u>1 353 799</u>	<u>(640 458)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<u><b>45 906 807</b></u>	<u><b>13 285 010</b></u>
Cash and cash equivalents at the beginning of the year		<u>116 037 909</u>	<u>102 752 899</u>
<b>Cash and cash equivalents at the end of the year</b>	8	<u><b>161 944 716</b></u>	<u><b>116 037 909</b></u>

\* See Note 42

# Greater Taung Local Municipality

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## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis						
	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Service charges	9 261 400	-	9 261 400	7 794 595	(1 466 805)	50
Rental of facilities and equipment	561 100	-	561 100	483 985	(77 115)	50
Other income	2 382 000	-	2 382 000	1 420 364	(961 636)	50
Interest received	8 380 466	-	8 380 466	14 392 945	6 012 479	
<b>Total revenue from exchange transactions</b>	<b>20 584 966</b>	<b>-</b>	<b>20 584 966</b>	<b>24 091 889</b>	<b>3 506 923</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Taxation revenue</b>						
Property rates	18 000 000	8 800 000	26 800 000	26 848 632	48 632	
Property rates - penalties imposed	3 500 000	-	3 500 000	3 153 005	(346 995)	
<b>Transfer revenue</b>						
Government grants & subsidies	214 572 000	-	214 572 000	212 930 999	(1 641 001)	
Other transfer revenue	350 000	-	350 000	100 112	(249 888)	50
<b>Total revenue from non-exchange transactions</b>	<b>236 422 000</b>	<b>8 800 000</b>	<b>245 222 000</b>	<b>243 032 748</b>	<b>(2 189 252)</b>	
<b>Total revenue</b>	<b>257 006 966</b>	<b>8 800 000</b>	<b>265 806 966</b>	<b>267 124 637</b>	<b>1 317 671</b>	
<b>Expenditure</b>						
Employee related cost	(80 284 000)	-	(80 284 000)	(69 801 191)	10 482 809	
Remuneration of councillors	(18 513 299)	-	(18 513 299)	(15 652 732)	2 860 567	
Depreciation and amortisation	(6 088 605)	(18 510 600)	(24 599 205)	(32 038 636)	(7 439 431)	50
Finance costs	(229 900)	-	(229 900)	(1 552 979)	(1 323 079)	
Debt impairment	(2 000 000)	(6 000 000)	(8 000 000)	(3 209 291)	4 790 709	
Repairs and maintenance	(12 057 574)	(939 000)	(12 996 574)	(14 335 284)	(1 338 710)	50
Bulk purchases	(3 900 000)	-	(3 900 000)	(3 301 956)	598 044	50
Contracted services	(19 611 805)	(4 974 500)	(24 586 305)	(17 250 364)	7 335 941	50
General expenses	(45 457 113)	(6 783 900)	(52 241 013)	(48 453 691)	3 787 322	
<b>Total expenditure</b>	<b>(188 142 296)</b>	<b>(37 208 000)</b>	<b>(225 350 296)</b>	<b>(205 596 124)</b>	<b>19 754 172</b>	
<b>Operating surplus</b>	<b>68 864 670</b>	<b>(28 408 000)</b>	<b>40 456 670</b>	<b>61 528 513</b>	<b>21 071 843</b>	
Loss on disposal of assets and liabilities	-	-	-	(476 712)	(476 712)	
Actuarial gains/losses	-	-	-	512 846	512 846	
	-	-	-	36 134	36 134	
<b>Surplus before taxation</b>	<b>68 864 670</b>	<b>(28 408 000)</b>	<b>40 456 670</b>	<b>61 564 647</b>	<b>21 107 977</b>	
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>68 864 670</b>	<b>(28 408 000)</b>	<b>40 456 670</b>	<b>61 564 647</b>	<b>21 107 977</b>	

# Greater Taung Local Municipality

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## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis						
	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
<b>Statement of Financial Position</b>						
<b>Assets</b>						
<b>Current Assets</b>						
Inventories	-	-	-	7 103 882	7 103 882	
Receivables from exchange transactions	-	-	-	24 540 565	24 540 565	
Receivables from non-exchange transactions	-	-	-	21 528 890	21 528 890	
VAT receivable	-	-	-	7 373 046	7 373 046	
Cash and cash equivalents	-	-	-	161 944 715	161 944 715	
	-	-	-	222 491 098	222 491 098	
<b>Non-Current Assets</b>						
Investment property	-	-	-	21 534 000	21 534 000	
Property, plant and equipment	-	-	-	493 228 687	493 228 687	
Intangible assets	-	-	-	645 015	645 015	
	-	-	-	515 407 702	515 407 702	
<b>Total Assets</b>	-	-	-	737 898 800	737 898 800	
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Finance lease obligation	-	-	-	523 267	523 267	
Payables from exchange transactions	-	-	-	29 109 461	29 109 461	
Consumer deposits	-	-	-	105 069	105 069	
Employee benefit obligation	-	-	-	888 501	888 501	
Unspent conditional grants and receipts	-	-	-	12 162 342	12 162 342	
Provisions	-	-	-	1 556 074	1 556 074	
	-	-	-	44 344 714	44 344 714	
<b>Non-Current Liabilities</b>						
Finance lease obligation	-	-	-	1 171 686	1 171 686	
Employee benefit obligation	-	-	-	10 600 746	10 600 746	
Provisions	-	-	-	10 694 864	10 694 864	
	-	-	-	22 467 296	22 467 296	
<b>Total Liabilities</b>	-	-	-	66 812 010	66 812 010	
<b>Net Assets</b>	-	-	-	671 086 790	671 086 790	
<b>Net Assets</b>						
<b>Net Assets Attributable to Owners of Controlling Entity</b>						
<b>Reserves</b>						
Accumulated surplus	-	-	-	671 086 790	671 086 790	

# Greater Taung Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Appropriation Statement

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
<b>2017</b>											
<b>Financial Performance</b>											
Property rates	21 500 000	8 800 000	30 300 000	-		30 300 000	30 001 637		(298 363)	99 %	140 %
Service charges	9 261 400	-	9 261 400	-		9 261 400	7 794 595		(1 466 805)	84 %	84 %
Investment income	8 380 466	-	8 380 466	-		8 380 466	14 392 945		6 012 479	172 %	172 %
Transfers recognised	214 572 000	-	214 572 000	-		214 572 000	212 930 999		(1 641 001)	99 %	99 %
Other own revenue	3 293 100	-	3 293 100	-		3 293 100	2 004 461		(1 288 639)	61 %	61 %
<b>Total revenue (excluding capital transfers and contributions)</b>	<b>257 006 966</b>	<b>8 800 000</b>	<b>265 806 966</b>	<b>-</b>		<b>265 806 966</b>	<b>267 124 637</b>		<b>1 317 671</b>	<b>100 %</b>	<b>104 %</b>
Employee related cost	(80 284 000)	-	(80 284 000)	-	-	(80 284 000)	(69 801 191)	-	10 482 809	87 %	87 %
Remuneration of councillors	(18 513 299)	-	(18 513 299)	-	-	(18 513 299)	(15 652 732)	-	2 860 567	85 %	85 %
Allowance for impairment	(2 000 000)	(6 000 000)	(8 000 000)			(8 000 000)	(3 209 291)	-	4 790 709	40 %	160 %
Depreciation and asset impairment	(6 088 605)	(18 510 600)	(24 599 205)			(24 599 205)	(32 038 636)	-	(7 439 431)	130 %	526 %
Finance costs	(229 900)	-	(229 900)	-	-	(229 900)	(1 552 979)	-	(1 323 079)	676 %	676 %
Bulk purchases	(3 900 000)	-	(3 900 000)	-	-	(3 900 000)	(3 301 956)	-	598 044	85 %	85 %
Transfers and grants	(9 630 700)	(3 000 000)	(12 630 700)	-	-	(12 630 700)	-	-	12 630 700	- %	- %
Other expenditure	(67 495 792)	(9 697 400)	(77 193 192)	-	-	(77 193 192)	(80 039 339)	-	(2 846 147)	104 %	119 %
<b>Total expenditure</b>	<b>(188 142 296)</b>	<b>(37 208 000)</b>	<b>(225 350 296)</b>	<b>-</b>	<b>-</b>	<b>(225 350 296)</b>	<b>(205 596 124)</b>	<b>-</b>	<b>19 754 172</b>	<b>91 %</b>	<b>109 %</b>
<b>Surplus/(Deficit)</b>	<b>68 864 670</b>	<b>(28 408 000)</b>	<b>40 456 670</b>	<b>-</b>		<b>40 456 670</b>	<b>61 528 513</b>		<b>21 071 843</b>	<b>152 %</b>	<b>89 %</b>
Actuarial gains/(losses)	-	-	-	-		-	(512 846)		(512 846)	DIV/0 %	DIV/0 %
Loss on disposal of assets	-	-	-	-		-	476 712		476 712	DIV/0 %	DIV/0 %
<b>Surplus for the year</b>	<b>68 864 670</b>	<b>(28 408 000)</b>	<b>40 456 670</b>	<b>-</b>		<b>40 456 670</b>	<b>61 564 647</b>		<b>21 107 977</b>	<b>152 %</b>	<b>89 %</b>

# Greater Taung Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Appropriation Statement

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
<b>2016</b>				
<b>Financial Performance</b>				
Property rates				17 549 438
Service charges				8 256 899
Investment revenue				10 863 603
Transfers recognised				208 464 420
Other own revenue				1 785 702
<b>Total revenue (excluding capital transfers and contributions)</b>				<b>246 920 062</b>
Employee costs	-	-	-	(71 598 246)
Remuneration of councillors	-	-	-	(17 691 165)
Debt impairment	-	-	-	7 143 997
Depreciation and asset impairment	-	-	-	(17 853 567)
Finance charges	-	-	-	(1 634 831)
Materials and bulk purchases	-	-	-	(3 208 721)
Other expenditure	-	-	-	(64 171 014)
<b>Total expenditure</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(169 013 547)</b>
<b>Surplus/(Deficit)</b>				<b>77 906 515</b>
Transfers recognised - capital				-
<b>Surplus (Deficit) after capital transfers and contributions</b>				<b>77 906 515</b>
Loss on disposal of property, plant and equipment				40 764
Actuarial gains/(losses)				(344 207)
<b>Surplus/(Deficit) for the year</b>				<b>78 209 958</b>

# Greater Taung Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

Note(s)

### 1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand. All figures are rounded to the nearest rand.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies are disclosed below.

These accounting policies are consistent with the previous period.

#### 1.1 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

#### 1.2 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

##### Receivables

The municipality assesses its receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for receivables is calculated on a portfolio basis. For amounts due to the municipality, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and default of payments are all considered indicators of impairment.

##### Allowance for slow moving, damaged and obsolete inventory

An assessment is made of net realisable value at the end of each reporting period. A write down of inventory to the lower of cost or net realisable value is subsequently provided. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the surplus or deficit.

##### Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.



# Greater Taung Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

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### 1.2 Significant judgements and sources of estimation uncertainty (continued)

#### Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the interest rate assumption may change which may then impact our estimations and may then impact our estimations and may require a material adjustment to the carrying value of tangible assets.

Value in use of cash generating assets:

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors, together with economic factors such as exchange rates, inflation and interest rates.

Value in use of non-cash generating assets:

The municipality reviews and tests the carrying value of non-cash generating assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment may have occurred, the remaining service potential of the asset is determined. The most appropriate approach selected to determine the remaining service potential is dependent on the availability of data and the nature of the impairment.

#### Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 17 - Provisions.

#### Useful lives of property, plant and equipment and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for property, plant and equipment and other assets. This estimate is based on industry norms and on the pattern in which an asset's future economic benefits or service potential is expected to be consumed by the municipality. Management will increase the depreciation charge where the useful lives are less than previously estimated useful lives and decrease depreciation charge where useful lives are more than previously estimated useful lives.

#### Employee benefit obligation

The present value of the employee benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of employee benefits obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the employee benefit obligations. In determining the appropriate discount rate, the municipality considers the market yields at the reporting date on government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension or other long-term liability. Where there is no market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, the municipality uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

Other key assumptions for post-retirement and other long-term employee obligations are based on current market conditions. Additional information is disclosed in note 22.

#### Effective interest rate

The municipality uses the prime interest rate to discount future cash flows.

# Greater Taung Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

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### 1.2 Significant judgements and sources of estimation uncertainty (continued)

#### Allowance for impairment

On receivables an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the receivables carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition. Government debtors are not impaired.

#### Fair value determination of investment properties

In determining the fair value of investment properties the municipality applies a valuation methodology to determine the fair value of the properties based on any one of or a combination of the following factors:

- The market related selling price of similar properties in the area or
- The replacement cost of the investment property.

### 1.3 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services; or for
- administrative purposes; or
- sale in the ordinary course of operations.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that is associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

#### Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using the fair value at the end of the reporting period. When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount. Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same class of asset previously recognised in surplus or deficit

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

# Greater Taung Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

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### 1.3 Investment property (continued)

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, including the nature or type of properties classified as held for strategic purposes, are as follows:

- Managements' intended usage of the property; and
- The extent to which it is owner occupied

### 1.4 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost or fair value of the item can be measured reliably.

Property, plant and equipment are initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the municipality is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for land which is deemed to have an indefinite life. Landfill sites and borrowing pits are considered to be operational facilities that deteriorate the condition of the land. In such cases the legally restoration costs of land is capitalised to the assets and carried at cost less accumulated depreciation and impairment losses.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value. The depreciation charge for each period is recognised in surplus and deficit.

The useful lives of items of property, plant and equipment have been assessed as follows:

# Greater Taung Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

### 1.4 Property, plant and equipment (continued)

Item	Depreciation method	Average useful life
Land	Straight line	N/A
Buildings	Straight line	
• Municipal offices		5-100 years
• Stores		15-100 years
• Workshops/depots/yards		15-100 years
• Social housing		7-100 years
• Outdoor recreational facilities		5-100 years
• Outdoor sport facilities		12-100 years
• Staff housing		15-100 years
Infrastructure	Straight line	
• Storm water assets		20-50 years
• Distribution		10 years
• Waste processing facilities		15-100 years
• Electricity network		10-45 years
• Roads/roadside assets		5-100 years
• Road reserves		N/A
• Road bridges		45-55 years
• Capital spares		45-55 years
Community facilities	Straight line	
• Cemeteries/crematoria		15-100 years
• Creches/care centres		5-100 years
• Halls/centres/libraries		5-100 years
• Parks		15-100 years
Finance leased assets	Straight line	3 years
Movable assets	Straight line	
• Office equipment		3-5 years
• Furniture and fittings		7 years
• Bins and containers		5-10 years
• Emergency equipment		5-15 years
• Motor vehicles		3-20 years
• Aircraft		15 years
• Plant and equipment		2-15 years

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate in terms of the Standard of GRAP on Accounting Policies, Change in Estimates and Errors.

Assets of the municipality are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Compensation from third parties for an item of property, plant and equipment that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 9)

# Greater Taung Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

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### 1.5 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore certain items of property, plant and equipment. Such obligations are referred to as 'decommissioning, rehabilitation and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation which the municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

The related asset is measured using the cost model:

- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of non-cash-generating assets.

### 1.6 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from the municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the municipality intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Intangible assets are initially measured at cost.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

# Greater Taung Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

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### 1.6 Intangible assets (continued)

Amortisation is provided to write down the intangible assets to their residual values. The amortisation charge for each period is recognised in surplus or deficit.

Intangible assets are depreciated on the straight line method.

The useful lives of intangible assets have been assessed as follows:

Item	Useful life
Licenses (Caseware)	1 year
Computer software - Antivirus	3 years
Computer software (Accounting and town planning system)	indefinite

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an intangible assets are included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

### 1.7 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

#### Classification

The municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost

The municipality has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost
Finance lease obligations	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost
Unspent conditional grants and receipts	Financial liability measured at amortised cost

#### Initial recognition

The municipality recognises a financial asset or a financial liability in its statement of financial position when the municipality becomes a party to the contractual provisions of the instrument.

The municipality recognises financial assets using trade date accounting.

#### Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

# Greater Taung Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

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### 1.7 Financial instruments (continued)

#### Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following category:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost are subject to an impairment review.

#### Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

#### Impairment and uncollectability of financial assets

The municipality assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

# Greater Taung Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

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### 1.7 Financial instruments (continued)

#### Derecognition

##### Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality:
  - derecognises the asset; and
  - recognises separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

##### Financial liabilities

The municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expired or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

### 1.8 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for:

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.



# Greater Taung Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

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### 1.8 Inventories (continued)

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amount of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered.

The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

### 1.9 Impairment of cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follows  
The extent to which an asset is used in service delivery.

#### Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

#### Value in use

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

#### Basis for estimates of future cash flows

In measuring value in use the municipality:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

# Greater Taung Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

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### 1.9 Impairment of cash-generating assets (continued)

#### Composition of estimates of future cash flows

Estimates of future cash flows include:

- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

#### Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

#### Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

# Greater Taung Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

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### 1.9 Impairment of cash-generating assets (continued)

#### Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality uses management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the municipality does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

# Greater Taung Local Municipality

Annual Financial Statements for the year ended 30 June 2017

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### 1.9 Impairment of cash-generating assets (continued)

#### Reversal of impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

#### Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

### 1.10 Impairment of non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

Criteria developed by the municipality to distinguish non-cash-generating assets from cash-generating assets are as follows:  
The extent to which an asset is used in service delivery.

#### Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset is initially recognised during the current reporting period, that intangible asset is tested for impairment before the end of the current reporting period.

# Greater Taung Local Municipality

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### 1.10 Impairment of cash-generating assets (continued)

#### Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

#### Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

#### Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

#### Reversal of an impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

#### Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

# Greater Taung Local Municipality

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### 1.11 Value-added Tax (VAT)

The municipality is registered with the South African Revenue Services (SARS) for VAT on the payment basis, in accordance with Section 15(2) of the VAT Act No.89 of 1991.

The municipality is liable to account for VAT at the standard rate (14%) in terms of Section 7 (1) (a) of the VAT Act in respect of the supply of goods or services, except where the supplies are specifically zero-rated in terms of Section 11, exempted in terms of Section 12 or are scoped out for VAT purposes. The municipality accounts for VAT on a monthly basis.

### 1.12 Accumulated surplus

The accumulated surplus represents the net difference between the total assets and the total liabilities of the municipality. Any surpluses and deficits realised during a specific financial year are credited/debited against accumulated surplus/deficit. Prior year adjustments, relating to income and expenditure, are debited/credited against accumulated surplus when retrospective adjustments are made.

### 1.13 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of the municipality after deducting all of its liabilities.

### 1.14 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the municipality assesses the classification of each element separately.

#### Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the municipality's incremental borrowing rate.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

#### Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Any contingent rent are expensed in the period in which they are incurred.

# Greater Taung Local Municipality

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## Accounting Policies

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### 1.15 Employee benefits

#### Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered a service to the municipality during a reporting period, the municipality recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The municipality measures the expected cost of accumulating compensated absences as the additional amount that the municipality expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The municipality recognises the expected cost of bonus, incentive and performance related payments when the municipality has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the municipality has no realistic alternative but to make the payments.

# Greater Taung Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

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### 1.15 Employee benefits (continued)

#### Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the municipality recognises actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

The municipality accounts not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the municipality's informal practices. Informal practices give rise to a constructive obligation where the municipality has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the municipality's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The municipality recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- actuarial gains and losses;
- past service cost

The municipality uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The municipality recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the municipality re-measures the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The municipality offsets an asset relating to one plan against a liability relating to another plan when the municipality has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.



# Greater Taung Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

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### 1.15 Employee benefits (continued)

#### Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
  - those changes were enacted before the reporting date; or
  - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

#### Other post-retirement obligations

The municipality has an obligation to provide other long-term service allowance benefits to all of its employees.

The municipality's liability is based on an actuarial valuation. The Projected Unit Credit Method is used to determine the present value of the obligations.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The municipality recognises the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- actuarial gains and losses;

### 1.16 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

# Greater Taung Local Municipality

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## Accounting Policies

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### 1.16 Provisions and contingencies (continued)

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surpluses.

If the municipality has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 40.

### Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, are accounted for as follows:

Where the related asset is measured using the cost model:

- changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the municipality tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.9 and 1.10.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability are recognised in surplus or deficit as they occur.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

### 1.17 Revenue from exchange transactions

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

#### Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

#### Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

# Greater Taung Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

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### 1.17 Revenue from exchange transactions (continued)

#### Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by surveys of work performed.

#### Interest received

Revenue arising from the use by others of municipal assets yielding interest is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Interest is received on short term investments and bank accounts.

### 1.18 Revenue from non-exchange transactions

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, the municipality either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

#### Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

#### Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

# Greater Taung Local Municipality

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## Accounting Policies

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### 1.18 Revenue from non-exchange transactions (continued)

#### Property rates

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

#### Transfers

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

#### Debt forgiveness and assumption of liabilities

The municipality recognises revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.

Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.

#### Gifts and donations, including goods in-kind

Gifts and donations, including goods in-kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

#### Services in-kind

Except for financial guarantee contracts, the municipality recognises services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the related revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Where services in-kind are not significant to the municipality's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the municipality discloses the nature and type of services in-kind received during the reporting period.

# Greater Taung Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

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### 1.18 Revenue from non-exchange transactions (continued)

#### Concessionary loans received

A concessionary loan is a loan granted to or received by the municipality on terms that are not market related.

The portion of the loan that is repayable, along with any interest payments, is an exchange transaction and is accounted for in accordance with the Standard of GRAP on Financial Instruments. The off-market portion of the loan is a non-exchange transaction. The off-market portion of the loan that is recognised as non-exchange revenue is calculated as the difference between the proceeds received from the loan, and the present value of the contractual cash flows of the loan, discounted using a market related rate of interest.

The recognition of revenue is determined by the nature of any conditions that exist in the loan agreement that may give rise to a liability. Where a liability exists the municipality recognises revenue as and when it satisfies the conditions of the loan agreement.

### 1.19 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

### 1.20 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

### 1.21 Grant in aid

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the statement of financial performance as expenses in the period that the events given rise to the transfer occurred.

### 1.22 Commitments

Items are classified as commitments when the municipality has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation are disclosed in a note to the financial statements, if both the following criteria are met:

- contracts should be non-cancelable or only cancelable at significant cost (for example, contracts for computer or building maintenance services); and
- contracts should relate to something other than the routine, steady, state business of the municipality – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

### 1.23 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year. Refer to note 42 for detail.

### 1.24 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

# Greater Taung Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

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### 1.24 Unauthorised expenditure (continued)

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### 1.25 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### 1.26 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the municipality's supply chain management policy.

Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### 1.27 Budget information

Municipalities are typically subject to budgetary limits in the form of appropriations or budget authorisation's (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by the municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on an accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2016/07/01 to 2017/06/30.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the statement of comparison of budget and actual amounts.

### 1.28 Related parties

A related party is a person or an entity with the ability to control or jointly control the municipality, or exercise significant influence over the municipality, or vice versa, or an entity that is subject to common control.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

### 1.29 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

# Greater Taung Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

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### 1.29 Events after reporting date (continued)

The municipality adjusts the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality discloses the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

# Greater Taung Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

2017

2016

### 2. New standards and interpretations

#### 2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

##### **GRAP 16 (as revised 2015) Investment Property**

Amendments made to the standard are:

- the principles and explanations related to the distinction between investment property and property, plant and equipment were reviewed;
- an indicator-based assessment of useful lives of assets was introduced;
- clarify the wording related to the use of external valuers;
- introduce more specific presentation and disclosure requirements for capital work-in-progress;
- the encouraged disclosures were deleted; and
- separate presentation of expenditure incurred on repairs and maintenance in the financial statements is now required.

The effective date of the amendment is for years beginning on or after 1 April 2016.

The municipality has adopted the amendment for the first time in the 2017 annual financial statements.

The adoption of this amendment has not had a material impact on the results of the municipality, but has resulted in more disclosure than would have previously been provided in the annual financial statements.

##### **GRAP 17 (as revised 2015) Property, Plant and Equipment**

Amendments made to the standard are:

- the principles and explanations related to the distinction between investment property and property, plant and equipment were reviewed;
- an indicator-based assessment of useful lives of assets was introduced;
- clarify the wording related to the use of external valuers;
- introduce more specific presentation and disclosure requirements for capital work-in-progress;
- encouraged disclosures were deleted; and
- separate presentation of expenditure incurred on repairs and maintenance in the financial statements are now required.

The effective date of the amendment is for years beginning on or after 1 April 2016.

The municipality has adopted the amendment for the first time in the 2017 annual financial statements.

The adoption of this amendment has not had a material impact on the results of the municipality, but has resulted in more disclosure than would have previously been provided in the annual financial statements.

#### 2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2017 or later periods:

##### **GRAP 34: Separate Financial Statements**

The objective of this Standard is to prescribe the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when an entity prepares separate financial statements.

It furthermore covers: definitions, preparation of separate financial statements, disclosure, transitional provisions and effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.



# Greater Taung Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## 2. New standards and interpretations (continued)

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

### GRAP 35: Consolidated Financial Statements

The objective of this Standard is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

To meet this objective, the Standard:

- requires an entity (the controlling entity) that controls one or more other entities (controlled entities) to present consolidated financial statements;
- defines the principle of control, and establishes control as the basis for consolidation;
- sets out how to apply the principle of control to identify whether an entity controls another entity and therefore must consolidate that entity;
- sets out the accounting requirements for the preparation of consolidated financial statements; and
- defines an investment entity and sets out an exception to consolidating particular controlled entities of an investment entity.

It furthermore covers: definitions, preparation of separate financial statements, disclosure, transitional provisions and effective date.

The effective date of the standard is not yet set by the Minister of Finance.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

### GRAP 36: Investments in Associates and Joint Ventures

The objective of this Standard is to prescribe the accounting for investments in associates and joint ventures and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

It furthermore covers: definitions, preparation of separate financial statements, disclosure, transitional provisions and effective date.

The effective date of the standard is not yet set by the Minister of Finance.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

### GRAP 37: Joint Arrangements

The objective of this Standard is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly (i.e. joint arrangements).

To meet this objective, the Standard defines joint control and requires an entity that is a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and to account for those rights and obligations in accordance with that type of joint arrangement.

It furthermore covers: definitions, preparation of separate financial statements, disclosure, transitional provisions and effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

### GRAP 38: Disclosure of Interests in Other Entities

The objective of this Standard is to require an entity to disclose information that enables users of its financial statements to evaluate:

- the nature of, and risks associated with, its interests in controlled entities, unconsolidated controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and
- the effects of those interests on its financial position, financial performance and cash flows.

# Greater Taung Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

2017

2016

### 2. New standards and interpretations (continued)

It furthermore covers: definitions, disclosing information about interests in other entities, significant judgements and assumptions, investment entity status, interests in controlled entities, interests in joint arrangements and associates, interests in structured entities that are not consolidated, non-qualitative ownership interests, controlling interests acquired with the intention of disposal, transitional provisions and effective date

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

#### GRAP 110: Living and Non-living Resources

The objective of this Standard is to prescribe the:

- recognition, measurement, presentation and disclosure requirements for living resources; and
- disclosure requirements for non-living resources

It furthermore covers: definitions, recognition, measurement, depreciation, impairment, compensation for impairment, transfers, derecognition, disclosure, transitional provisions and effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

The impact of this standard is currently being assessed.

#### IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land

This Interpretation of the Standards of GRAP applies to the initial recognition and derecognition of land in an entity's financial statements. It also considers joint control of land by more than one entity.

When an entity concludes that it controls the land after applying the principles in this Interpretation of the Standards of GRAP, it applies the applicable Standard of GRAP, i.e. the Standard of GRAP on Inventories, Investment Property (GRAP 16), Property, Plant and Equipment (GRAP 17) or Heritage Assets. As this Interpretation of the Standards of GRAP does not apply to the classification, initial and subsequent measurement, presentation and disclosure requirements of land, the entity applies the applicable Standard of GRAP to account for the land once control of the land has been determined. An entity also applies the applicable Standards of GRAP to the derecognition of land when it concludes that it does not control the land after applying the principles in this Interpretation of the Standards of GRAP.

In accordance with the principles in the Standards of GRAP, buildings and other structures on the land are accounted for separately. These assets are accounted for separately as the future economic benefits or service potential embodied in the land differs from those included in buildings and other structures. The recognition and derecognition of buildings and other structures are not addressed in this Interpretation of the Standards of GRAP.

The effective date of the interpretation is not yet set by the Minister of Finance.

The municipality expects to adopt the interpretation for the first time when the Minister sets the effective date.

The impact of this interpretation is currently being assessed.

#### GRAP 12 (as amended 2016): Inventories

Amendments to the Standard of GRAP on Inventories resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 12 on Inventories (IPSAS 12) as a result of the IPSASB's Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

# Greater Taung Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

2017

2016

### 2. New standards and interpretations (continued)

- General improvements: to clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12).
- IPSASB amendments: to align terminology in GRAP 12 with that in IPSAS 12. The term “ammunition” in IPSAS 12 was replaced with the term “military inventories” and provides a description of what it comprises in accordance with Government Finance Statistics terminology.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality’s annual financial statements.

### GRAP 16 (as amended 2016): Investment Property

Amendments to the Standard of GRAP on Investment Property resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IAS 40 on Investment Property (IAS 40) as a result of the IASB’s amendments on Annual Improvements to IFRSs 2011 – 2013 Cycle issued in December 2013.

The most significant changes to the Standard are:

- General improvements: to clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and to clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets.
- IASB amendments: to clarify the interrelationship between the Standards of GRAP on Transfer of Functions Between Entities Not Under Common Control and Investment Property when classifying investment property or owner-occupied property.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality’s annual financial statements.

### GRAP 17 (as amended 2016): Property, Plant and Equipment

Amendments to the Standard of GRAP on Property, Plant and Equipment resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 17 on Property, Plant and Equipment (IPSAS 17) as a result of the IPSASB’s Improvements to IPSASs 2014 issued in January 2015 and Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

- General improvements: to clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and to clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets.
- IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when an item of property, plant, and equipment is revalued; To clarify acceptable methods of depreciating assets; To align terminology in GRAP 17 with that in IPSAS 17. The term “specialist military equipment” in IPSAS 17 was replaced with the term “weapon systems” and provides a description of what it comprises in accordance with Government Finance Statistics terminology; and To define a bearer plant and include bearer plants within the scope of GRAP 17, while the produce growing on bearer plants will remain within the scope of GRAP 27.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality’s annual financial statements.

# Greater Taung Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

2017

2016

### 2. New standards and interpretations (continued)

#### GRAP 18: Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in the budget documentation will usually reflect the segments for which a municipality reports information to management

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of a municipality that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by a municipality within a particular region.

This Standard has been approved by the Accounting Standards Board, but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the amendment for the first time when the Minister sets the effective date for the amendment.

The adoption of this amendment is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

#### GRAP 21 (as amended 2016): Impairment of non-cash-generating assets

Amendments to the Standard of GRAP on Impairment of Non-cash Generating Assets resulted from changes made to IPSAS 21 on Impairment of Non-Cash-Generating Assets (IPSAS 21) as a result of the IPSASB's Impairment of Revalued Assets issued in March 2016.

The most significant changes to the Standard are:

- IPSASB amendments: To update the Basis of conclusions and Comparison with IPSASs to reflect the IPSASB's recent decision on the impairment of revalued assets.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

#### GRAP 26 (as amended 2016): Impairment of cash-generating assets

Amendments Changes to the Standard of GRAP on Impairment of Cash Generating Assets resulted from changes made to IPSAS 26 on Impairment of Cash-Generating Assets (IPSAS 26) as a result of the IPSASB's Impairment of Revalued Assets issued in March 2016.

The most significant changes to the Standard are:

- IPSASB amendments: to update the Basis of conclusions and Comparison with IPSASs to reflect the IPSASB's recent decision on the impairment of revalued assets.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

# Greater Taung Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

2017

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### 2. New standards and interpretations (continued)

#### GRAP 31 (as amended 2016): Intangible Assets

Amendments to the Standard of GRAP on Intangible Assets resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 31 on Intangible Assets (IPSAS 31) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015.

The most significant changes to the Standard are:

- General improvements: to add the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets
- IPSASB amendments: to clarify the revaluation methodology of the carrying amount and accumulated depreciation when an item of intangible assets is revalued; and to clarify acceptable methods of depreciating assets

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

#### GRAP 103 (as amended 2016): Heritage Assets

Amendments to the Standard of GRAP on Heritage Assets resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from editorial changes to the original text.

The most significant changes to the Standard are:

- General improvements: to clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and to clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

#### GRAP 106 (as amended 2016): Transfers of functions between entities not under common control

Amendments to the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control resulted from changes made to IFRS 3 on Business Combinations (IFRS 3) as a result of the IASB's amendments on Annual Improvements to IFRSs 2010 – 2012 Cycle issued in December 2013.

The most significant changes to the Standard are:

- IASB amendments: To require contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting period.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

## Notes to the Annual Financial Statements

2017

2016

### 2. New standards and interpretations (continued)

#### **IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset**

This Interpretation of the Standards of GRAP provides guidance to the grantor where it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease. This Interpretation of the Standards of GRAP shall not be applied by analogy to other types of transactions or arrangements.

A service concession arrangement is a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator is compensated for its services over the period of the service concession arrangement, either through payments, or through receiving a right to earn revenue from third party users of the service concession asset, or the operator is given access to another revenue-generating asset of the grantor for its use.

Before the grantor can recognise a service concession asset in accordance with the Standard of GRAP on Service Concession Arrangements: Grantor, both the criteria as noted in paragraph .01 of this Interpretation of the Standards of GRAP need to be met. In some service concession arrangements, the grantor only controls the residual interest in the service concession asset at the end of the arrangement, and can therefore not recognise the service concession asset in terms of the Standard of GRAP on Service Concession Arrangements: Grantor.

A consensus is reached, in this Interpretation of the Standards of GRAP, on the recognition of the performance obligation and the right to receive a significant interest in a service concession asset.

The effective date of the interpretation is not yet set by the Minister of Finance.

It is unlikely that the interpretation will have a material impact on the municipality's annual financial statements.

#### **GRAP 27 (as amended 2016): Agriculture**

Amendments to the Standard of GRAP on Agriculture resulted from changes made to IPSAS 27 on Agriculture (IPSAS 27) as a result of the IPSASB's Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard:

- IPSASB amendments: To define a bearer plant and include bearer plants within the scope of GRAP 17, while the produce growing on bearer plants will remain within the scope of GRAP 27. In addition to the changes made by the IPSASB, a consequential amendment has been made to GRAP 103 on Heritage Assets. The IPSASB currently does not have a pronouncement on this topic.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

#### **GRAP 20: Related parties**

The objective of this standard is to ensure that a reporting entity's annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an entity and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

# Greater Taung Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

2017

2016

### 2. New standards and interpretations (continued)

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual annual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

- A person or a close member of that person's family is related to the reporting entity if that person:
  - has control or joint control over the reporting entity;
  - has significant influence over the reporting entity;
  - is a member of the management of the entity or its controlling entity.
- An entity is related to the reporting entity if any of the following conditions apply:
  - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
  - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
  - both entities are joint ventures of the same third party;
  - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
  - the entity is controlled or jointly controlled by a person identified in (a); and
  - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard furthermore states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:

- close member of the family of a person;
- management;
- related parties;
- remuneration; and
- significant influence

The standard sets out the requirements, inter alia, for the disclosure of:

- control;
- related party transactions; and
- remuneration of management

The effective date of the standard is not yet set by the Minister of Finance.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

# Greater Taung Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

2017

2016

### 2. New standards and interpretations (continued)

#### GRAP 109: Accounting by Principals and Agents

The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement. The Standard does not introduce new recognition or measurement requirements for revenue, expenses, assets and/or liabilities that result from principal-agent arrangements. The Standard does however provide guidance on whether revenue, expenses, assets and/or liabilities should be recognised by an agent or a principal, as well as prescribe what information should be disclosed when an entity is a principal or an agent.

It furthermore covers: definitions, identifying whether an entity is a principal or agent, accounting by a principal or agent, presentation, disclosure, transitional provisions and effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

#### GRAP 32: Service Concession Arrangements: Grantor

The objective of this Standard is: to prescribe the accounting for service concession arrangements by the grantor, a public sector entity.

It furthermore covers: definitions, recognition and measurement of a service concession asset, recognition and measurement of liabilities, other liabilities, contingent liabilities, and contingent assets, other revenues, presentation and disclosure, transitional provisions, as well as the effective date.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

#### GRAP 108: Statutory Receivables

The objective of this Standard is: to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

It furthermore covers: definitions, recognition, derecognition, measurement, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.



# Greater Taung Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

	2017	2016
<b>3. Inventories</b>		
Consumable stores	164 832	142 325
Water	492	492
Land held for sale	6 838 050	6 838 050
Fuel (diesel, petrol)	100 508	138 239
	<b>7 103 882</b>	<b>7 119 106</b>

Inventories recognised as an expense	4 796 072	4 587 375
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### Inventory pledged as security

Inventories were not pledged as security for any financial liability of the municipality.

### 4. Receivables from exchange transactions

Accrued revenue	313 410	420 786
Consumer debtors - Electricity	2 077 521	1 106 061
Consumer debtors - Water	1 289 737	691 565
Consumer debtors - Sewerage	6 253 817	2 732 581
Consumer debtors - Refuse	5 925 224	4 255 678
Consumer debtors - Other	8 680 856	5 074 920
	<b>24 540 565</b>	<b>14 281 591</b>

### Pledged as security

None of the trade and other receivables from exchange transactions are pledged as security for any financial liability of the municipality.

None of the financial assets that are fully performing have been renegotiated in the last year.

### 5. Receivables from non-exchange transactions

Government grants and subsidies	106 711	-
Consumer debtors - Rates	21 422 179	20 038 687
	<b>21 528 890</b>	<b>20 038 687</b>

### Government grant and subsidies consist of:

Opening balance	-	514 533
Housing Grant	-	-
Expanded Public Works Programme Incentive Grant	106 711	-
Write down of receivable (refer to note 24)	-	(514 533)
	<b>106 711</b>	<b>-</b>

### Pledged as security

None of the receivables from non-exchange transactions are pledged for security for any financial liability of the municipality.

None of the financial assets that are fully performing have been renegotiated in the last year.

# Greater Taung Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

	2017	2016
<b>6. Consumer receivables disclosure</b>		
<b>Gross balances</b>		
Consumer debtors - Electricity	2 123 815	2 251 910
Consumer debtors - Water	2 109 556	2 144 166
Consumer debtors - Sewerage	6 932 815	6 535 736
Consumer debtors - Refuse	9 307 624	8 026 736
Consumer debtors - Other	9 162 082	5 849 733
Consumer debtors - Rates	35 110 624	27 445 651
	<b>64 746 516</b>	<b>52 253 932</b>
<b>Less: Allowance for impairment</b>		
Consumer debtors - Electricity	(46 294)	(1 145 849)
Consumer debtors - Water	(819 819)	(1 452 601)
Consumer debtors - Sewerage	(678 998)	(3 803 155)
Consumer debtors - Refuse	(3 382 400)	(3 771 058)
Consumer debtors - Other	(481 226)	(774 813)
Consumer debtors - Rates	(13 688 445)	(7 406 964)
	<b>(19 097 182)</b>	<b>(18 354 440)</b>
<b>Net balance</b>		
Consumer debtors - Electricity	2 077 521	1 106 061
Consumer debtors - Water	1 289 737	691 565
Consumer debtors - Sewerage	6 253 817	2 732 581
Consumer debtors - Refuse	5 925 224	4 255 678
Consumer debtors - Other	8 680 856	5 074 920
Consumer debtors - Rates	21 422 179	20 038 687
	<b>45 649 334</b>	<b>33 899 492</b>
<b>Included in above is receivables from exchange transactions</b>		
Electricity	2 077 521	1 106 061
Water	1 289 737	691 565
Sewerage	6 253 817	2 732 581
Refuse	5 925 224	4 255 678
Other	8 680 856	5 074 920
	<b>24 227 155</b>	<b>13 860 805</b>
<b>Included in above is receivables from non-exchange transactions (taxes and transfers)</b>		
Rates	21 422 179	20 038 687
<b>Net balance</b>	<b>45 649 334</b>	<b>33 899 492</b>
<b>Rates</b>		
Current (0 -30 days)	374 245	573 831
31 - 60 days	895 359	714 613
61 - 90 days	782 973	701 327
91 - 120 days	773 157	698 410
>120 days	18 596 445	17 350 506
	<b>21 422 179</b>	<b>20 038 687</b>

# Greater Taung Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

	2017	2016
<b>6. Consumer receivables disclosure (continued)</b>		
<b>Electricity</b>		
Current (0 -30 days)	212 720	250 466
31 - 60 days	129 296	158 077
61 - 90 days	54 635	132 227
91 - 120 days	1 680 870	168 666
>120 days	-	396 625
	<b>2 077 521</b>	<b>1 106 061</b>
<b>Water</b>		
Current (0 -30 days)	70 135	70 343
31 - 60 days	69 367	77 998
61 - 90 days	97 891	76 401
91 - 120 days	56 994	89 088
>120 days	995 350	377 735
	<b>1 289 737</b>	<b>691 565</b>
<b>Sewerage</b>		
Current (0 -30 days)	195 575	225 457
31 - 60 days	168 974	169 439
61 - 90 days	154 777	173 132
91 - 120 days	149 315	151 286
>120 days	5 585 176	2 013 267
	<b>6 253 817</b>	<b>2 732 581</b>
<b>Refuse</b>		
Current (0 -30 days)	328 600	328 010
31 - 60 days	281 432	244 091
61 - 90 days	255 043	220 722
91 - 120 days	195 376	226 357
>120 days	4 864 773	3 236 498
	<b>5 925 224</b>	<b>4 255 678</b>
<b>Other (sundry)</b>		
Current (0 -30 days)	69 714	57 469
31 - 60 days	61 047	53 071
61 - 90 days	55 743	41 403
91 - 120 days	54 380	115 436
121 - 365 days	8 439 972	4 807 541
	<b>8 680 856</b>	<b>5 074 920</b>

# Greater Taung Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

	2017	2016
<b>6. Consumer receivables disclosure (continued)</b>		
<b>Summary of debtors by customer classification</b>		
<b>Industrial/Commercial</b>		
Current (0 -30 days)	222 764	170 743
31 - 60 days	319 669	160 195
61 - 90 days	206 912	168 029
91 - 120 days	188 493	156 693
>120 days	7 464 155	4 468 384
	<b>8 401 993</b>	<b>5 124 044</b>
<b>Consumers (households)</b>		
Current (0 -30 days)	532 305	555 309
31 - 60 days	635 773	651 950
61 - 90 days	638 891	632 747
91 - 120 days	596 099	652 018
>120 days	24 444 915	25 847 777
	<b>26 847 983</b>	<b>28 339 801</b>
<b>National and provincial government</b>		
Current (0 -30 days)	495 808	779 524
31 - 60 days	649 924	605 073
61 - 90 days	601 430	544 436
91 - 120 days	491 790	640 534
>120 days	27 257 588	21 154 880
	<b>29 496 540</b>	<b>23 724 447</b>
<b>Reconciliation of allowance for impairment</b>		
Balance at beginning of the year	(18 354 440)	(26 607 981)
Contributions to allowance	(742 742)	8 253 541
	<b>(19 097 182)</b>	<b>(18 354 440)</b>
<b>Consumer receivables pledged as security</b>		
None of the consumer receivables were pledged as security.		
None of the financial assets that are fully performing have been renegotiated in the last year.		
<b>7. VAT receivable</b>		
Value Added Tax (VAT)	7 373 046	6 486 022
The municipality is registered on the cash basis for VAT purposes. Thus output VAT is declared on receipt once cash is received and input VAT is claimed on payments when actual payments are made.		
All VAT returns have been submitted timeously to SARS by the due date throughout the year.		
<b>VAT receivable at year end consists of:</b>		
VAT input on payables	443 537	313 699
VAT output on receivables	(1 148 298)	(908 408)
VAT receivable on SARS	8 077 807	7 080 731
	<b>7 373 046</b>	<b>6 486 022</b>

# Greater Taung Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

	2017	2016
<b>8. Cash and cash equivalents</b>		
Cash and cash equivalents consist of:		
Bank balances	8 977 096	9 018 443
Short-term deposits	152 967 619	107 019 466
	<b>161 944 715</b>	<b>116 037 909</b>

Cash and cash equivalents are measured at amortised cost. The municipality does not have a bank overdraft facility.

The short term deposit relates to short term deposits held at local banks for no longer than 90 days and bears interest at market related terms.

No items of cash and cash equivalents have been pledged as security.

### The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2017	30 June 2016	30 June 2015	30 June 2017	30 June 2016	30 June 2015
ABSA - Fixed Deposit (206 381 3884)	11 663 227	10 812 086	10 137 327	11 663 227	10 812 086	10 137 327
ABSA - Fixed Deposit (206 350 7897)	6 254 685	5 798 241	5 436 385	6 254 685	5 798 241	5 436 385
ABSA - Fixed Deposit (20 6460 1519)	2 655 078	2 461 320	2 307 714	2 655 078	2 461 320	2 307 714
ABSA - Housing (206 509 865)	58 856	54 561	51 156	58 856	54 561	51 156
FNB - Fixed Notice (740 8902 8507)	2 886 226	2 699 360	2 537 547	2 886 226	2 699 360	2 537 547
Nedbank - Investment (160 7777 69921)	616 848	574 247	539 189	616 848	571 622	539 189
Nedbank - SDL Fund (160 1777 69925)	78 736	73 176	68 708	78 736	72 841	68 708
Nedbank - Eco Green (160 7777 69928)	63 422	58 943	55 124	63 422	58 673	55 344
Standard Bank - Notice Deposit (048 5600 65004)	782 644	733 904	692 426	782 644	733 904	692 426
ABSA - Cheque Account (26 5056 0046)	8 925 791	9 047 202	3 710 304	8 973 780	9 015 258	3 632 410
ABSA Fixed Deposit (20 6381 3842)	3 802 613	3 525 111	3 305 117	3 802 613	3 525 111	3 305 117
ABSA Fixed Deposit (20 6348 4566)	8 010 058	7 425 512	6 962 102	8 010 058	7 425 512	6 962 102
ABSA Fixed Deposit (20 6598 6332)	2 017 375	1 870 154	1 753 441	2 017 375	1 870 154	1 753 441
ABSA Fixed Deposit (20 6602 3614)	109 906 723	67 077 026	61 630 783	109 906 723	67 077 026	61 630 783
Nedbank Fixed Notice (16077776 9922)	1 914 295	1 779 102	1 670 487	1 914 295	1 774 024	1 670 487
Nedbank Fixed Notice (16077776 9923)	2 133 488	1 982 815	1 861 764	2 133 488	1 970 692	1 861 764
Nedbank Fixed Notice (16077776 9924)	106 678	99 116	93 065	106 678	98 663	93 065
Nedbank Call Deposit (37667500223)	16 668	15 726	14 937	16 668	15 677	14 937
Standard Bank Notice Deposit (248685880001)	3 316	3 184	2 995	3 315	3 184	2 997
<b>Total</b>	<b>161 896 727</b>	<b>116 090 786</b>	<b>102 830 571</b>	<b>161 944 715</b>	<b>116 037 909</b>	<b>102 752 899</b>

# Greater Taung Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

	2017	2016
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### 9. Investment property

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land and Buildings	21 534 000	-	21 534 000	21 534 000	-	21 534 000

#### Reconciliation of investment property - 2017

	Opening balance	Total
Land and Buildings	21 534 000	21 534 000

#### Reconciliation of investment property - 2016

	Opening balance	Total
Land and Buildings	21 534 000	21 534 000

#### Pledged as security

None of the above investment property have been pledged as security.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

#### Details of valuation

The valuation was based on open market value for existing use. These assumptions are based on current market conditions. The investment properties were valued in terms of the requirements of GRAP 16 and the details of the valuation is available for inspection at the registered office of the municipality.

Properties were individually investigated to confirm classification as investment properties. Investment properties are identified under GRAP 16. The following criteria was used to determine whether a property should be classified as an investment property:

Land or buildings held for long-term capital appreciation:

A building owned by the municipality and leased out to third parties under one or more operating leases

Land held for a current undeterminable future use

Property being constructed or developed for future use as investment property

Amounts recognised in surplus and deficit for the year.

#### Amounts recognised in surplus or deficit

Rental revenue from investment property	70 500	62 600
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# Greater Taung Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand

### 10. Property, plant and equipment

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	59 914 415	-	59 914 415	59 852 623	-	59 852 623
Buildings	247 699 159	(101 551 217)	146 147 942	207 779 594	(88 674 495)	119 105 099
Infrastructure	397 539 465	(179 178 664)	218 360 801	385 190 764	(168 918 565)	216 272 199
Work in process	40 883 126	-	40 883 126	52 250 262	-	52 250 262
Finance leased asset	3 541 059	(1 890 996)	1 650 063	1 846 106	(1 535 893)	310 213
Moveable assets	46 997 417	(20 725 077)	26 272 340	48 325 274	(21 038 931)	27 286 343
<b>Total</b>	<b>796 574 641</b>	<b>(303 345 954)</b>	<b>493 228 687</b>	<b>755 244 623</b>	<b>(280 167 884)</b>	<b>475 076 739</b>

### Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Disposals	Transfers	Other changes, movements	Depreciation	Impairment loss	Accumulated depreciation	Total
Land	59 852 623	61 792	-	-	-	-	-	-	59 914 415
Buildings	119 105 099	37 603 798	(215 529)	-	452 497	(10 783 059)	(14 864)	-	146 147 942
Infrastructure	216 272 199	18 201 837	-	-	(36 304)	(9 848 200)	(6 228 731)	-	218 360 801
Work in process	52 250 262	45 110 685	-	(56 477 821)	-	-	-	-	40 883 126
Finance lease asset	310 213	1 694 952	-	-	-	(355 102)	-	-	1 650 063
Moveable assets	27 286 343	5 043 503	(6 382 979)	-	-	(4 757 437)	-	5 082 910	26 272 340
	<b>475 076 739</b>	<b>107 716 567</b>	<b>(6 598 508)</b>	<b>(56 477 821)</b>	<b>416 193</b>	<b>(25 743 798)</b>	<b>(6 243 595)</b>	<b>5 082 910</b>	<b>493 228 687</b>

# Greater Taung Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand

### 10. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Disposals	Transfers	Other changes, movements	Depreciation	Impairment loss	Total
Land	59 852 623	-	-	-	-	-	-	59 852 623
Buildings	96 191 697	30 437 774	(40 764)	-	1 744 498	(9 228 106)	-	119 105 099
Infrastructure	201 038 635	29 006 906	-	-	-	(9 936 202)	(3 837 140)	216 272 199
Work in progress	74 124 000	37 386 225	-	(59 259 963)	-	-	-	52 250 262
Finance leased assets	927 267	-	-	-	-	(617 054)	-	310 213
Movable assets	25 373 335	7 705 956	-	-	-	(5 792 948)	-	27 286 343
	<b>457 507 557</b>	<b>104 536 861</b>	<b>(40 764)</b>	<b>(59 259 963)</b>	<b>1 744 498</b>	<b>(25 574 310)</b>	<b>(3 837 140)</b>	<b>475 076 739</b>

#### Pledged as security

None of the above property, plant and equipment have been pledged as security.

#### Assets subject to finance lease (net carrying amount)

Leased Assets	1 650 063	310 213
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A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.



# Greater Taung Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

	2017	2016
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### 11. Intangible assets

	2017			2016		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Software	857 613	(212 598)	645 015	448 208	(172 975)	275 233

#### Reconciliation of intangible assets - 2017

	Opening balance	Additions	Amortisation	Total
Software	275 233	421 024	(51 242)	645 015

#### Reconciliation of intangible assets - 2016

	Opening balance	Additions	Other changes, movements	Amortisation	Total
Software	435 990	46 600	(34 382)	(172 975)	275 233

#### Pledged as security

None of the above intangible assets have been pledged as security.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality

# Greater Taung Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

	2017	2016
<b>12. Finance lease obligation</b>		
<b>Minimum lease payments due</b>		
- within one year	707 647	349 662
- in second to fifth year inclusive	1 343 129	-
	<u>2 050 776</u>	<u>349 662</u>
less: future finance charges	(355 823)	(8 508)
<b>Present value of minimum lease payments</b>	<b><u>1 694 953</u></b>	<b><u>341 154</u></b>
<b>Present value of minimum lease payments due</b>		
- within one year	523 267	341 154
- in second to fifth year inclusive	1 171 686	-
	<u>1 694 953</u>	<u>341 154</u>
Non-current liabilities	1 171 686	-
Current liabilities	523 267	341 154
	<u>1 694 953</u>	<u>341 154</u>

It is municipal policy to lease certain computer equipment under finance leases.

The average lease term was 3 years and the average effective borrowing rate was 11% (2016: 9%).

Interest rates are linked to prime at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 10

### 13. Payables from exchange transactions

Trade payables	1 002	2
Payments received in advanced	1 477 385	1 294 530
Accrued leave pay	9 309 689	9 278 934
Accrued bonus	1 619 655	1 469 212
Accrued expense	4 299 870	4 018 332
Deposits received	231 347	212 147
Retentions	12 170 513	9 824 040
	<u>29 109 461</u>	<u>26 097 197</u>

### 14. Consumer deposits

Electricity	<u>105 069</u>	<u>123 734</u>
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Deposits are paid by consumers on application for new electricity connections. The deposits are repaid when the electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding account balance

No interest is paid to consumers on deposits held.

# Greater Taung Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

2017

2016

### 15. Employee benefit obligations

The municipality has the following employee benefit obligations:

#### Post retirement medical aid plan

The municipality operates an unfunded post-employment health care defined benefit plans for qualifying employees. Employees of the municipality are members of Bonitas, Hosmed, Samwumed, Key health and LA Health medical schemes. The most recent actuarial valuations of plan assets as the present value of the defined benefit obligation were carried out at 30 June 2017 by Mr C Weiss (BSc FFA), Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method. The municipality does not have long term assets set aside off-balance sheet in respect of the post employment health care liability.

#### Long Service Awards

Long service awards are provided to employees for every five years of service completed, from ten years of service to 45 years of services, inclusive.

The amounts recognised in the statement of financial position are as follows:

<b>Carrying value</b>		
Post retirement benefits: medical aid	(10 600 746)	(10 035 279)
Present value of long service awards	(888 501)	(248 126)
	<b>(11 489 247)</b>	<b>(10 283 405)</b>
Non-current liabilities	10 600 746	10 035 279
Current liabilities	888 501	248 126
	<b>11 489 247</b>	<b>10 283 405</b>

The change in the carrying values of the employee benefit obligations are as follows :

#### Medical aid subsidy plan

Opening balance	7 145 206	6 205 577
Current service cost - included in employee related costs (Note 25)	729 374	651 449
Finance Charges - included in finance cost (Note 28)	668 400	592 468
Actuarial gain/ losses	(302 511)	(267 985)
Benefits paid during the year	(100 351)	(36 303)
<b>Closing balance</b>	<b>8 140 118</b>	<b>7 145 206</b>

#### Long service awards

Opening balance	3 138 199	2 782 927
Current service cost - included in employee related costs (Note 25)	366 661	321 701
Finance charges - included in finance cost (Note 28)	260 571	220 685
Actuarial gain / losses	(210 335)	(76 222)
Benefit paid during the year	(205 967)	(110 892)
<b>Closing balance</b>	<b>3 349 129</b>	<b>3 138 199</b>

#### Total Employee benefit obligation

Opening balance	10 035 279	8 988 504
Current service cost	1 096 035	973 150
Finance charges	928 971	813 153
Actuarial gain / losses	(512 846)	(344 207)
Benefits paid during the year	(306 318)	(147 195)
Less: current portion of liability	(888 501)	(248 126)
<b>Closing balance</b>	<b>10 352 620</b>	<b>10 035 279</b>

# Greater Taung Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

	2017	2016
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### 15. Employee benefit obligations (continued)

#### Current portion of the liability consist of:

Post retirement benefits: medical aid	134 272	48 048
Long service awards	754 229	200 078
	<b>888 501</b>	<b>248 126</b>

#### Net expense recognised in the statement of financial performance

Current service cost	1 096 035	973 150
Finance charges	928 971	813 153
Actuarial (gains) losses	(512 846)	(344 207)
Benefits paid during the year	(306 318)	(147 195)
	<b>1 205 842</b>	<b>1 294 901</b>

#### Post Retirement Benefits: Medical Aid

The post retirement benefit plan is classified as a defined benefit plan, of which the members are made up of the following:

In-service (employee) members	161	168
In-service (employee) non-members	83	91
Continuation (retiree and widow) members	4	3
<b>Total</b>	<b>248</b>	<b>262</b>

The liability in respect of the periods commencing prior to the comparative year has been estimated as follows:

In-service (employee) members	4 828 838	5 073 644
In-service (employee) non-members	1 348 884	1 398 132
Continuation (retiree and widow) members	2 014 698	673 430
	<b>8 192 420</b>	<b>7 145 206</b>

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

- Bonitas;
- Hosmed;
- Samwumed
- Key Health
- LA Health

Key actuarial assumptions used:

#### Rates of interest used:

Discount rates	9.91 %	9.39 %
Health care cost inflation rate	8.17 %	8.43 %
Net effective discount rate	1.60 %	0.88 %

#### Mortality Rates:

The PA 90 ultimate table, rated down 1 year of age was used by the actuaries, for post retirement employees.  
The SA 85-90 ultimate table was used by the actuaries, for employees during employment.

# Greater Taung Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

2017

2016

### 15. Employee benefit obligations (continued)

#### Normal Retirement Age:

It has been assumed that in-service members will retire at age 65, which then implicitly allows for expected rates of early and ill health retirement.

#### Continuation of membership at retirement:

It has been assumed that the percentage of employees that will continue on the medical aid after retirement is 40%.

#### Marital status at retirement:

It has been assumed that the percentage of employees married at retirement is 90%.

#### Eligible current non-member employees:

It has been assumed that the percentage of employees joining the scheme at retirement is 30%

#### Total amount recognised in the statement of financial position are as follows:

Present value of funded obligation	-	-
Present value of unfunded obligation	8 140 118	7 145 206
Less: Fair value of plan assets	-	-
<b>Present value of obligation in excess of plan assets</b>	<b>8 140 118</b>	<b>7 145 206</b>

#### Sensitivity analysis on the accrued liability

The liability at the valuation date was recalculated to show the effect of:

- (i) A 1% increase and decrease in the assumed rate of health care cost inflation;
- (ii) A 1% increase and decrease in the discount rate;
- (iii) A one-year age reduction in the assumed rates of post-retirement mortality;
- (iv) A one-year decrease in the assumed average retirement age; and
- (v) A 10% decrease in the assumed proportion of in-service members that continue to receive the subsidy after retirement.

The effect of movements in the assumptions for the year ended **30 June 2017** on the obligation are as follows:

Assumptions	Change in assumption	In-Service members liability	Continuation members liability	Total liability	% Change
Central assumptions	-	6 178 000	2 015 000	8 192 000	-
Health care inflation	1 %	7 642 000	2 236 000	9 877 000	21 %
Health care inflation	-1 %	5 034 000	1 825 000	6 859 000	-16 %
Discount rate	1 %	5 059 000	1 829 000	6 888 000	-16 %
Discount rate	-1 %	7 631 000	2 234 000	9 865 000	20 %
Post retirement mortality	- one year	6 391 000	2 084 000	8 475 000	3 %
Average retirement age	- one year	6 739 000	2 015 000	8 753 000	7 %
Continuation of membership retirement	-10 %	4 722 000	2 015 000	6 737 000	-18 %

The effect of movements in the assumptions for the year ended **30 June 2017** on the interest and service costs are as follows:

Assumption	Change in assumption	Current service cost	Interest cost	Total	% Change
Central assumptions	-	729 400	668 400	1 397 800	-
Health care inflation	1 %	915 000	818 300	1 733 300	24 %
Health care inflation	-1 %	587 200	551 100	1 138 300	-19 %
Discount rate	1 %	594 700	611 800	1 206 500	-14 %
Discount rate	-1 %	906 800	731 200	1 638 000	17 %
Post retirement mortality	- one year	755 500	693 300	1 448 800	4 %
Average retirement age	- one year	799 900	717 400	1 517 300	9 %

# Greater Taung Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

				2017	2016
<b>15. Employee benefit obligations (continued)</b>					
Continuation of membership at retirement	-10 %	560 800	529 500	1 090 300	-22 %

The effect of movements in the assumptions for the year ended **30 June 2016** on the obligation are as follows:

Assumption	Change in assumption	In-Service members liability	Continuation members liability	Total liability	% Change
Central assumptions	-	6 472 000	673 000	-	-
Health care inflation	1 %	8 005 000	738 000	8 743 000	22 %
Health care inflation	-1 %	5 278 000	617 000	5 895 000	-17 %
Discount rate	1 %	5 296 000	618 000	5 914 000	-17 %
Discount rate	-1 %	8 006 000	738 000	8 744 000	22 %
Post retirement mortality	- one year	6 710 000	701 000	7 411 000	4 %
Average retirement age	- one year	6 994 000	673 000	7 667 000	7 %
Withdrawal rate	-10 %	4 992 000	673 000	5 665 000	-21 %

The effect of movements in the assumptions for the year ended **30 June 2016** on the interest and service costs are as follows:

Assumption	Change in assumption	Current service cost	Interest cost	Total	% Change
Central assumptions	-	651 400	571 600	1 223 000	-
Health care inflation	1 %	817 400	699 800	1 517 200	24 %
Health care inflation	-1 %	524 300	471 100	995 400	-19 %
Discount rate	1 %	531 000	523 900	1 054 900	-14 %
Discount rate	-1 %	810 100	624 000	1 434 100	-17 %
Post retirement mortality	- one year	675 000	593 000	1 268 000	4 %
Average retirement age	- one year	705 900	615 300	1 321 200	8 %
Continuation of membership at retirement	-10 %	498 900	439 900	938 800	-23 %

### Long service awards

The long service awards are defined benefit plans.

Eligible employees	244	259
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Key actuarial assumptions used:

Rate of interest

Discount rate	8.49 %	8.57 %
General salary inflation	6.31 %	7.22 %
Net effective discount rate applied to salary related long service awards	2.05 %	1.26 %

# Greater Taung Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

2017

2016

### 15. Employee benefit obligations (continued)

Mortality Rate:

The SA 85-90 ultimate table was used by the actuaries.

Average retirement age

It has been assumed that in-service members will retire at age 65, which then implicitly allows for expected rates of early and ill health retirement.

Expected remaining working lifetime

It has been assumed that the expected remaining working lifetime of eligible employees is 21.9 years.

Additional text

**Total amount recognised in the statement of financial position are as follows:**

Present value of funded obligation	-	-
Present value of unfunded obligation	3 349 129	3 138 199
Less: Fair value of plan assets	-	-
<b>Present value of obligation in excess of plan assets</b>	<b>3 349 129</b>	<b>3 138 199</b>

### Sensitivity analysis on the accrued liability

The liability at the valuation date was recalculated to show the effect of:

- (i) A 1% increase and decrease in the assumed general salary inflation rate;
- (ii) A 1% increase and decrease in the discount rate;
- (iii) A two-year increase and decrease in the assumed average retirement age of employees; and
- (iv) A 50% decrease in the assumed withdrawal rate.

The effect of movements in the assumptions for the year ended **30 June 2017** on the obligation are as follows:

Assumption	Change in assumption	Total liability	% Change
Central assumptions	-	3 355 000	-
General salary inflation	1 %	3 581 000	7 %
General salary inflation	-1 %	3 152 000	-6 %
Discount rate	1 %	3 143 000	-6 %
Discount rate	-1 %	3 595 000	7 %
Average retirement age	- two years	3 020 000	-10 %
Average retirement age	+ two years	3 611 000	8 %
Withdrawal rate	-50 %	3 970 000	18 %

The effect of the movement in the assumptions for the year ended **30 June 2017** in the current service and the interest cost are as follows:

Assumption	Change in assumption	Current service cost	Interest cost	Total	% Change
Central assumptions	-	366 700	260 600	627 300	-
General salary inflation	1 %	401 900	280 400	682 300	9 %
General salary inflation	-1 %	335 600	242 800	578 400	-8 %
Discount rate	1 %	337 700	270 200	607 900	-3 %
Discount rate	-1 %	400 000	248 800	648 800	3 %
Average retirement age	- two years	334 400	232 700	567 100	-10 %
Average retirement age	+ two years	392 100	283 200	675 300	8 %
Withdrawal rate	-50 %	482 700	312 300	795 000	27 %

# Greater Taung Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

2017

2016

### 15. Employee benefit obligations (continued)

The effect of movements in the assumptions for the year ended **30 June 2016** in the obligation are as follows:

Assumption	Change in assumptions	Total liability	% Change
Central assumptions	-	3 138 199	-
General salary inflation	1 %	3 370 000	7 %
General salary inflation	-1 %	2 931 000	-7 %
Discount rate	1 %	2 921 000	-7 %
Discount rate	-1 %	3 385 000	8 %
Average retirement age	+ two years	2 814 000	-10 %
Average retirement age	- two years	3 402 000	8 %
Withdrawal rate	-50 %	3 741 000	19 %

The effect of the movement in the assumptions for the year ended **30 June 2016** in the current service and the interest cost are as follows:

Assumption	Change in assumption	Current service cost	Interest cost	Total	% Change
Central assumptions	-	321 701	220 685	542 386	-
General salary inflation	1 %	353 900	238 000	591 900	9 %
General salary inflation	-1 %	293 300	205 100	498 400	-8 %
Discount rate	1 %	295 000	229 400	524 400	-3 %
Discount rate	-1 %	352 500	210 000	562 500	4 %
Average retirement age	+ two years	292 000	197 300	489 300	-10 %
Average retirement age	- two years	346 400	245 800	592 200	9 %
Withdrawal rate	-50 %	430 400	265 900	696 300	28 %

### 16. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

#### Unspent conditional grants and receipts

Municipal Infrastructure Grant	9 656 960	-
Local Government Financial Management Grant	18 494	-
Local Government - Disaster Fund	505 700	505 700
Department of Sports - Library Grant	1 981 188	2 008 930
	<b>12 162 342</b>	<b>2 514 630</b>

See note 26 for reconciliation of grants from National / Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.



# Greater Taung Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

	2017	2016
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### 17. Provisions

#### Reconciliation of provisions - 2017

	Opening Balance	Utilised during the year	Unwinding of interest	Total
Environmental rehabilitation	11 967 024	(308 286)	592 200	12 250 938

#### Reconciliation of provisions - 2016

	Opening Balance	Utilised during the year	Unwinding of interest	Total
Environmental rehabilitation	11 501 093	(188 707)	654 638	11 967 024
Non-current liabilities			10 694 864	10 430 757
Current liabilities			1 556 074	1 536 267
			<b>12 250 938</b>	<b>11 967 024</b>

The municipality operates on five landfill sites. The in year actual operational costs is expensed in the statement of financial performance. The provision is calculated in order to finance the rehabilitation cost of each site when it reaches 100% capacity.

#### Environmental rehabilitation provision

The provision for rehabilitation of landfill and waste disposal sites relates to the legal obligation to rehabilitate landfill sites and waste disposal sites to a condition whereby it complies to the permit requirements issued in terms of the Mineral and Petroleum Resources Development Act, 2002 (Act No. 28 of 2002).

The landfill sites are registered as official dumping sites and are therefore operated without a permit. As disclosed in the Government Gazette no 10747 dated 24 July 2015, the maximum fine applicable for operating a waste disposal site under section 24G Fine Regulations of NEMA, rounds up to R10 million per site and a contingent liability has been disclosed.

Section 24G (1) of the NEMA also stipulates that the landfill site be closed with immediate effect if no objection has been made by the municipality, therefore the provision for rehabilitation has been calculated as a current liability at 30 June 2017.

Management has included the best estimated amount as the actual amount is uncertain. The payment of total closure and rehabilitation dates are uncertain.

The provision has been determined by an independent firm of consultants through investigation to determine the best estimated rehabilitation costs for the waste disposal sites at the end of its useful life.

The maximum life span of the landfill sites is between 2 to 5 years.

# Greater Taung Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

	2017	2016
<b>18. Financial instruments disclosure</b>		
<b>Categories of financial instruments</b>		
<b>2017</b>		
<b>Financial assets</b>		
	At amortised cost	Total
Receivables from exchange transactions	24 540 565	24 540 565
Receivables from non-exchange transactions (grants)	106 711	106 711
Cash and cash equivalents	161 944 715	161 944 715
	<b>186 591 991</b>	<b>186 591 991</b>
<b>Financial liabilities</b>		
	At amortised cost	Total
Finance lease obligation	1 694 953	1 694 953
Payables from exchange transactions	29 109 461	29 109 461
Consumer deposits	105 069	105 069
Unspent conditional grants and receipts	12 162 342	12 162 342
	<b>43 071 825</b>	<b>43 071 825</b>
<b>2016</b>		
<b>Financial assets</b>		
	At amortised cost	Total
Receivables from exchange transactions	14 281 591	14 281 591
Cash and cash equivalents	116 037 909	116 037 909
	<b>130 319 500</b>	<b>130 319 500</b>
<b>Financial liabilities</b>		
	At amortised cost	Total
Finance lease obligation	341 154	341 154
Consumer deposits	123 734	123 734
Payables from exchange transactions	26 097 197	26 097 197
Unspent conditional grants and receipts	2 514 630	2 514 630
	<b>29 076 715</b>	<b>29 076 715</b>
<b>19. Revenue</b>		
Service charges	7 794 595	8 256 899
Rental of facilities and equipment	483 985	361 042
Other income from exchange transactions	1 420 364	1 340 010
Investment income	14 392 945	10 863 603
Property rates	26 848 632	14 277 978
Property rates - penalties imposed	3 153 005	3 271 460
Government grants and subsidies	212 930 999	208 464 420
Other income from non-exchange transactions	100 112	84 650
	<b>267 124 637</b>	<b>246 920 062</b>

# Greater Taung Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

	2017	2016
<b>19. Revenue (continued)</b>		
<b>The amount included in revenue arising from exchanges of goods or services are as follows:</b>		
Service charges	7 794 595	8 256 899
Rental of facilities and equipment	483 985	361 042
Other income	1 420 364	1 340 010
Investment income	14 392 945	10 863 603
	<b>24 091 889</b>	<b>20 821 554</b>
<b>The amount included in revenue arising from non-exchange transactions is as follows:</b>		
<b>Taxation revenue</b>		
Property rates	26 848 632	14 277 978
Property rates - penalties imposed	3 153 005	3 271 460
<b>Transfer revenue</b>		
Government grants and subsidies	212 930 999	208 464 420
Other income	100 112	84 650
	<b>243 032 748</b>	<b>226 098 508</b>
<b>20. Service charges</b>		
Sale of electricity	2 612 976	2 912 792
Sale of water	689 744	766 583
Sewerage and sanitation charges	1 720 638	1 892 872
Refuse removal	2 771 237	2 684 652
	<b>7 794 595</b>	<b>8 256 899</b>
<b>21. Rental of facilities and equipment</b>		
<b>Rental of facilities and equipment consist of:</b>		
Premises	70 500	62 600
Community hall	94 781	18 490
Other	318 704	279 952
	<b>483 985</b>	<b>361 042</b>
<b>22. Other revenue</b>		
Other income	1 420 364	1 340 010
<b>23. Other income</b>		
Other income from exchange transactions	1 420 364	1 340 010
<b>The amount included in other income arising from non-exchange transactions is as follows:</b>		
Taxation revenue	-	-
Subsidy from SETA	100 112	84 650
	<b>100 112</b>	<b>84 650</b>

# Greater Taung Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

	2017	2016
<b>24. Investment income</b>		
<b>Interest revenue</b>		
Cash and cash equivalents	12 355 799	9 010 678
Interest charged on consumer debtors	2 037 146	1 852 925
	<b>14 392 945</b>	<b>10 863 603</b>

The amount included in investment income arising from exchange transactions amounted to R 2037 146 (2016: R1 852 925)

The amount included in investment revenue arising from non-exchange transactions amounted to R 12 355 799 (2016: R9 010 678)

## 25. Property rates

### Rates received

Residential	31 460 210	17 073 971
Less: Income forgone	(4 611 578)	(2 795 993)
	26 848 632	14 277 978
Property rates - penalties imposed	3 153 005	3 271 460
	<b>30 001 637</b>	<b>17 549 438</b>

### Valuations

Residential	561 925 400	324 333 700
Commercial	264 202 900	260 082 600
State	842 192 101	825 082 195
Municipal	9 042 200	19 615 000
Small holdings and farms	1 547 810 715	1 450 572 960
Other	45 689 700	44 534 100
	<b>3 270 863 016</b>	<b>2 924 220 555</b>

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 September 2014. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions. The new general valuation was implemented on 01 July 2014.

# Greater Taung Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

	2017	2016
<b>26. Government grants and subsidies</b>		
<b>Operating grants</b>		
Equitable share	164 554 000	171 557 000
Local Government Financial Management Grant (FMG)	1 991 506	1 875 768
Department of Minerals and Energy (EPWP)	1 458 711	1 852 251
	<b>168 004 217</b>	<b>175 285 019</b>
<b>Capital grants</b>		
Municipal Systems Improvement Grant (MSIG)	-	930 914
Department of Sport - Library	1 247 742	1 196 487
Municipal infrastructure grant (MIG)	43 679 040	31 052 000
	<b>44 926 782</b>	<b>33 179 401</b>
<b>Revenue recognised per vote as required by section 123(c) of the MFMA</b>		
Executive and Council	50 999 029	53 067 259
Corporate Services	32 974 206	33 200 068
Planning and Development	7 096 818	7 673 446
Community and Social Services	6 957 321	4 885 357
Budget and Treasury	3 526 700	7 984 668
Sport and Recreation	8 121 497	9 403 480
Waste water management	8 130 789	7 987 401
Solid waste management	11 405 086	16 844 039
Road and Transport	19 704 614	16 972 793
Water Distribution	2 596 120	4 461 421
Electricity Distribution	13 041 820	9 077 068
	<b>164 554 000</b>	<b>171 557 000</b>
	<b>212 930 999</b>	<b>208 464 420</b>
<b>Conditional and Unconditional</b>		
Included in above are the following grants and subsidies received:		
Conditional grants received	48 376 999	36 907 420
Unconditional grants received	164 554 000	171 557 000
	<b>212 930 999</b>	<b>208 464 420</b>
<b>Equitable Share</b>		
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.		
<b>Municipal Infrastructure Grant (MIG)</b>		
Balance unspent at beginning of year	-	24 387 344
Current-year receipts	53 336 000	31 052 000
Conditions met - transferred to revenue	(43 679 040)	(31 052 000)
Withheld	-	(24 387 344)
	<b>9 656 960</b>	<b>-</b>

Conditions still to be met - remain liabilities (see note 16).

The purpose of this grant is to provide capital finance for eradicating basic municipal infrastructure backlogs for poor households, micro enterprises and social institutions servicing poor communities.

# Greater Taung Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

	2017	2016
<b>26. Government grants and subsidies (continued)</b>		
<b>Department of Local Government - Disaster fund</b>		
Balance unspent at beginning of year	505 700	505 700
Conditions still to be met - remain liabilities (see note 16).		
The purpose of this grant is to assist the municipality in managing disaster in the area, most commonly flooding.		
<b>Municipal System Improvement Grant (MSIG)</b>		
Balance unspent at beginning of year	-	369 229
Current-year receipts	-	930 000
Conditions met - transferred to revenue	-	(930 914)
Withheld	-	(368 315)
	-	-
The purpose of this grant is to assist municipalities to perform their functions and stabilise institutional and governance systems as required in the Municipal Systems Act, the Municipal Property Rates Act and related legislation.		
<b>Library Service Grant</b>		
Balance unspent at beginning of year	2 008 930	2 005 418
Current-year receipts	1 220 000	1 199 999
Conditions met - transferred to revenue	(1 247 742)	(1 196 487)
	<b>1 981 188</b>	<b>2 008 930</b>
Conditions still to be met - remain liabilities (see note 16).		
To transform urban and rural community library infrastructure, facilities and services (primarily targeting previously disadvantage communities) through a recapitalised programme at provincial level in support of local government and national initiatives.		
<b>Department of Minerals and Energy (EPWP)</b>		
Balance unspent at beginning of year	-	427 251
Current-year receipts	1 352 000	1 425 000
Conditions met - transferred to revenue	(1 458 711)	(1 852 251)
	<b>(106 711)</b>	-
The purpose of this grant is to expand job creation efforts in specific focus area, where labour intensive delivery methods can be maximised.		
<b>Neighbourhood Development Partnership Grant (NDP)</b>		
Balance unspent at beginning of year	-	2 445 921
Withheld	-	(2 445 921)
	-	-
To plan, catalyse, and invest in targeted locations in order to attract and sustain third party capital investments aimed at spatial transformation, that will improve the quality of life, and access to opportunities for residents in South Africa's under-served neighbourhoods, generally townships.		

# Greater Taung Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

	2017	2016
<b>26. Government grants and subsidies (continued)</b>		
<b>Local Government Financial Management Grant (FMG)</b>		
Balance unspent at beginning of year	-	768
Current-year receipts	2 010 000	1 875 000
Conditions met - transferred to revenue	(1 991 506)	(1 875 768)
Other	-	-
	<b>18 494</b>	<b>-</b>
Conditions still to be met - remain liabilities (see note 16).		
The purpose of this grant is to promote and support reforms in financial management by building the capacity in municipalities to implement the Municipal Finance Management Act.		
<b>Integrated National Electrification Programme Grant (INEP)</b>		
Balance unspent at beginning of year	-	947 420
Withheld	-	(947 420)
	<b>-</b>	<b>-</b>
The purpose of the grant is to address electrification backlogs of occupied residential dwellings, and the installation of bulk infrastructure.		
<b>Total grants</b>		
Balance unspent at beginning of year	2 514 631	31 089 051
Current-year receipts	212 930 999	208 039 000
Conditions met - transferred to revenue	(48 376 999)	(208 464 420)
Withheld	-	(28 149 000)
	<b>167 068 631</b>	<b>2 514 631</b>
Conditions still to be met - remain liabilities (see note 16).		
Grants included in receivables from non-exchange transactions	106 711	-
Grants included in unspent conditional grants	166 961 920	2 514 631
	<b>167 068 631</b>	<b>2 514 631</b>

# Greater Taung Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

	2017	2016
<b>27. Employee related costs</b>		
Basic	44 362 208	41 498 142
Bargaining council	23 393	23 222
Bonus	3 329 573	3 209 137
Car allowance	3 540 818	3 609 003
Current service cost (refer to note 1)	1 096 035	973 150
Housing benefits and allowances	582 932	586 465
Leave reserve	1 056 120	5 178 813
Medical aid	3 448 045	3 162 275
Pension fund - company contributions	7 447 986	7 207 181
Provident fund	13 134	12 091
Salaries - temporary workers	762 453	474 732
Salaries - al inclusive package	2 704 844	4 441 319
SDL	692 613	430 017
Telephone allowance	343 475	418 550
UIF	397 562	374 150
	<b>69 801 191</b>	<b>71 598 247</b>
<b>Remuneration of Municipal Manager: KT Gabanakgosi</b>		
Annual remuneration	1 024 602	963 408
Car allowance	240 000	240 000
Cellphone allowance	12 000	12 000
Contributions to UIF, medical and pension funds	1 785	1 785
Other allowances	70 522	93 605
Backpay	36 833	24 361
	<b>1 385 742</b>	<b>1 335 159</b>
<b>Remuneration of Chief Finance Officer: MP Vermaak</b>		
Annual remuneration	798 378	751 039
Car allowance	180 000	180 000
Contributions to UIF, medical and pension funds	1 785	1 785
Backpay	23 747	18 847
Cellphone allowance	9 000	9 000
Other allowances	37 183	46 909
	<b>1 050 093</b>	<b>1 007 580</b>
<b>Remuneration of Director of Technical Services: MD Duma</b>		
Annual remuneration	208 668	818 112
Contribution to UIF, medical and pension funds	446	1 785
Backpay	-	16 561
Cellphone allowance	2 250	9 000
Leave payment	113 516	-
	<b>324 880</b>	<b>845 458</b>
<b>Remuneration of Director of Coporate Services: K Forane</b>		
Annual remuneration	-	519 444
Car allowance	-	90 000
Leave payment	-	131 500
Contributions to UIF, medical and pension funds	-	1 338
Cellphone allowance	-	6 750
Other allowances	-	65



# Greater Taung Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

	2017	2016
<b>27. Employee related costs (continued)</b>		
Backpay	-	16 561
	<u>-</u>	<u>765 658</u>
The position for the Director of Corporate Services was vacant in the current financial year.		
<b>Remuneration of Director of Social Services: CG Huma</b>		
Annual remuneration	-	602 595
Car allowance	-	-
Contributions to UIF, medical and pension funds	-	446
Leave payment	-	149 471
Cellphone allowance	-	3 150
Other allowances	-	12 790
	<u>-</u>	<u>768 452</u>
The position for the Director of Social Services was vacant in the current financial year.		
<b>Remuneration of Director of Social Services (Acting): DG Koboyapudi</b>		
Annual remuneration	<u>256 373</u>	<u>117 441</u>
<b>Remuneration of Director of Social Services (Acting): PG Ntlharapane</b>		
Annual remuneration	<u>134 246</u>	<u>134 190</u>
<b>Remuneration of Director of Corporate Services (Acting)</b>		
Annual remuneration: KJ Mokhasi	32 845	22 112
Annual remuneration: DH de Jager	48 667	-
Annual remuneration: MEN Morule	22 211	-
	<u>103 723</u>	<u>22 112</u>
KJ Mokhasi acted for the period July 2016 and February until April 2017. MEN Morule acted for the period October 2016 until January 2017. DH de Jager acted for the period July 2016 to October 2016 and May 2017 until June 2017.		
<b>Remuneration of Director of Technical Services (Acting)</b>		
Annual Remuneration: ME Keotilhetse	71 122	-
Annual Remuneration: OB Mogapi	62 180	-
Annual Remuneration: Nakana	71 222	-
	<u>204 524</u>	<u>-</u>
ME Keotilhetse acted for the period July 2016 until November 2016. OG Mogapi acted for the period November 2016 until January 2017. Nakana acted for the period February 2017 until April 2017.		
<b>Remuneration of Director of Development and land use (Acting): HS de Jager</b>		
Annual remuneration: HS de Jager	25 087	13 092
Annual remuneration: NL Mokoto	-	29 472
Annual remuneration: BB Tlholagae	115 768	-
	<u>140 855</u>	<u>42 564</u>

# Greater Taung Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

	2017	2016
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### 27. Employee related costs (continued)

BB Tlholage acted for the period July 2016 to November 2016 and from January 2017 to April 2017. HS de Jager acted for the period October 2016 to January 2017 and from April 2017 to June 2017.

Salary inclusive cost is referring to remuneration paid to councillors. The package will consist of: salary payments, UIF, SDL, transport allowance and if applicable a bonus.

#### Current service cost (note 1)

Long service awards (note 14)	366 661	321 701
Post retirement benefits: Medical aid (note 14)	729 374	651 449
	<b>1 096 035</b>	<b>973 150</b>

### 28. Remuneration of councillors

Executive Mayor	784 191	782 484
Executive committee members	4 423 345	6 203 248
Speaker	632 807	630 888
Councillors	9 812 389	10 074 545
	<b>15 652 732</b>	<b>17 691 165</b>

#### In-kind benefits

The Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Mayor and Speaker each have the use of separate Council owned vehicles for official duties.

The salaries, allowance and benefits are within the upper limits of the framework envisaged in section 219 of the Constitution.

# Greater Taung Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

	2017	2016				
28. Remuneration of councillors (continued)						
Councillors 30 June 2017	Annual remuneration	Performance bonus	Travel, accommodation, subsistence and other allowances	Contributions to UIF, medical and pension funds	Cellular phone allowance	Total
Councillors for period ending July 2016	-	-	-	-	-	-
Chalmans KG	26 378	-	-	-	2 928	29 306
Diphoko GS	26 378	-	-	-	2 928	29 306
Ditshakane PM	26 378	-	-	-	2 928	29 306
Galodikwe GP	63 167	-	-	-	2 928	66 095
Halenyane LJ	26 378	-	-	-	2 928	29 306
Hermanus M	26 378	-	-	-	2 928	29 306
Kanyane MS	26 378	-	-	-	2 928	29 306
Kodisang K	61 256	-	-	-	2 928	64 184
Lobelo K	84 224	-	-	-	2 719	86 943
Mahura LE	26 378	-	-	-	2 928	29 306
Mahura LW	26 378	-	-	-	2 928	29 306
Makgalemane EI	26 378	-	-	-	2 928	29 306
Malepe J	26 378	-	-	-	2 928	29 306
Malepe M	63 167	-	-	-	2 928	66 095
Malepe TV	26 378	-	-	-	2 928	29 306
Mamapula KL	26 378	-	-	-	2 928	29 306
Mantshwe T	26 378	-	-	-	2 928	29 306
March ZB	26 378	-	-	-	2 928	29 306
Maseng	26 378	-	-	-	2 928	29 306
Menyatso A	26 378	-	-	-	2 928	29 306
Moagi K	26 378	-	-	-	2 928	29 306
Mohitlheng BK	26 378	-	-	-	2 928	29 306
Mokoto R	26 378	-	-	-	2 928	29 306
Molifi KP	26 378	-	-	-	2 928	29 306
Mongale OV	26 378	-	-	-	2 928	29 306
Motshabi DN	26 378	-	-	-	2 928	29 306
Mpopolai KG	26 378	-	-	-	2 928	29 306
Olifant MI	63 167	-	-	-	2 928	66 095
Olifant OP	63 167	-	-	-	2 928	66 095
Phacwane AS	26 378	-	-	-	2 928	29 306
Scholts AP	63 167	-	-	-	2 928	66 095
Sebe TP	26 378	-	-	-	2 928	29 306
Seepamere KJ	26 378	-	-	-	2 928	29 306
Seleke OR	63 167	-	-	-	2 928	66 095
Sethi DJ	67 383	-	-	-	2 928	70 311
Sibinda EV	26 378	-	-	-	2 928	29 306
Tladi EH	26 378	-	-	-	2 928	29 306
Tlhaganyane T	26 378	-	-	-	2 928	29 306
Tong	26 378	-	-	-	2 928	29 306
Tshipo GJ	63 167	-	-	-	2 928	66 095
Wesi LC	26 378	-	-	-	2 928	29 306
Councillors - August 2016 to June 2017	-	-	-	-	-	-
Babuseng MC	211 170	-	-	-	23 456	234 626
Balebanye OJ	211 170	-	-	-	23 456	234 626
Bathalefi KS	9 139	-	-	-	979	10 118
De Koker KS	99 010	-	-	-	11 000	110 010
Diphoko GS	211 170	-	-	-	23 456	234 626
Gaoboihe LJ	505 333	-	-	-	23 456	528 789

# Greater Taung Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

					2017	2016
<b>28. Remuneration of councillors (continued)</b>						
Gaobusiwe GW	211 170	-	-	-	23 456	234 626
Gaoraelwe TR	211 170	-	-	-	23 456	234 626
Gasetlolwe FC	211 170	-	-	-	23 456	234 626
Gezane BG	211 170	-	-	-	23 456	234 626
Itumeleng DA	211 170	-	-	-	23 456	234 626
Lepedi MC	211 170	-	-	-	23 456	234 626
Leshoe MF	211 170	-	-	-	23 456	234 626
Maila LE	211 170	-	-	-	23 456	234 626
Malepe J	505 333	-	-	-	23 456	528 789
Mamapula KL	211 170	-	-	-	23 456	234 626
Maribe IN	211 170	-	-	-	23 456	234 626
Matshwe T	211 170	-	-	-	23 456	234 626
Matuane JA	211 170	-	-	-	23 456	234 626
Menyatso A	505 333	-	-	-	23 456	528 789
Mmokwa M	211 170	-	-	-	23 456	234 626
Mocumi KB	211 170	-	-	-	23 456	234 626
Moipolai KG	505 333	-	-	-	23 456	528 789
Mokgobo MR	211 170	-	-	-	23 456	234 626
Mokale KR	211 170	-	-	-	23 456	234 626
Mongale OV	211 170	-	-	-	23 456	234 626
Mongale RA	505 333	-	-	-	23 456	528 789
Montwedi MK	245 361	-	-	-	23 456	268 817
Morweng TS	211 170	-	-	-	23 456	234 626
Monsikiemang MV	211 170	-	-	-	23 456	234 626
Mothibedi SD	211 170	-	-	-	23 456	234 626
Motlhabane NC	673 792	-	-	-	23 456	697 248
Motshabi MI	211 170	-	-	-	23 456	234 626
Ncweng ME	211 170	-	-	-	23 456	234 626
Ntatsi NE	505 333	-	-	-	23 456	528 789
Olifant MKI	211 170	-	-	-	23 456	234 626
Pitso JT	211 170	-	-	-	23 456	234 626
Ratake MJ	211 170	-	-	-	23 456	234 626
Sebe TP	211 170	-	-	-	23 456	234 626
Sebolai KL	211 170	-	-	-	23 456	234 626
Sedupane BJ	211 170	-	-	-	23 456	234 626
Seemelo HD	211 170	-	-	-	23 456	234 626
Seisho KG	211 170	-	-	-	23 456	234 626
Seleke OR	431 489	-	-	-	23 456	454 945
Seokamo	92 358	-	-	-	10 255	102 613
Tladi EH	539 040	-	-	-	23 456	562 496
Tlhaganyane T	211 170	-	-	-	23 456	234 626
Tokwe LC	211 170	-	-	-	23 456	234 626
Totong DG	211 170	-	-	-	23 456	234 626
Tshipo GJ	211 170	-	-	-	23 456	234 626
	<b>14 408 227</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 244 505</b>	<b>15 652 732</b>

# Greater Taung Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

					2017	2016
<b>28. Remuneration of councillors (continued)</b>						
<b>Councillors 30 June 2016</b>	<b>Annual remuneration</b>	<b>Performance bonus</b>	<b>Travel, accommodation, subsistence and other allowances</b>	<b>Contributions to UIF, medical and pension funds</b>	<b>Cellular phone allowance</b>	<b>Total</b>
Baijang MT	173 250	-	55 230	-	24 468	252 948
Chalmans KG	173 250	-	55 230	-	24 468	252 948
Diphoko GS	173 250	-	55 230	-	24 468	252 948
Ditshakane PM	173 250	-	55 230	-	24 468	252 948
Edward GS	116 130	-	36 190	-	16 312	168 632
Galodikwe KP	430 710	-	137 790	-	24 468	592 968
Gasetlolwe FC	173 250	-	55 230	-	24 468	252 948
Halenyane LJ	173 250	-	55 230	-	24 468	252 948
Hermanus M	173 250	-	55 230	-	24 468	252 948
Itumeleng DA	430 710	-	137 790	-	24 468	592 968
Kanyane MS	173 250	-	55 230	-	24 468	252 948
Kgosimore KR	173 250	-	55 230	-	24 468	252 948
Kodisang K	402 007	-	128 609	-	24 468	555 084
Lobelo K	574 292	-	183 724	-	24 468	782 484
Lontshitse AK	2 324	-	775	-	-	3 099
Mabe MJ	430 710	-	137 790	-	24 468	592 968
Mahure LE	173 250	-	55 230	-	24 468	252 948
Mahura LW	173 250	-	55 230	-	24 468	252 948
Makgalemane EI	173 250	-	55 230	-	24 468	252 948
Malepe J	173 250	-	55 230	-	24 468	252 948
Malepe M	430 710	-	137 790	-	24 468	592 968
Malepe TV	173 250	-	55 230	-	24 468	252 948
Mamapula KL	173 250	-	55 230	-	24 468	252 948
Mantshwe T	173 250	-	55 230	-	24 468	252 948
March ZB	173 250	-	55 230	-	24 468	252 948
Maseng	52 360	-	17 453	-	8 156	77 969
Menyatso A	173 250	-	55 230	-	24 468	252 948
Mmabe JG	173 250	-	55 230	-	24 468	252 948
Moagi K	173 250	-	55 230	-	24 468	252 948
Moeti MB	173 250	-	55 230	-	24 468	252 948
Mohitlheng BK	173 250	-	55 230	-	24 468	252 948
Mokoto R	173 250	-	55 230	-	24 468	252 948
Molifi KP	173 250	-	55 230	-	24 468	252 948
Moncho BJ	130 410	-	40 950	-	18 351	189 711
Mongale OV	173 250	-	55 230	-	24 468	252 948
Morwagaswe KJ	228 126	-	71 092	-	12 234	311 452
Motshabi DN	173 250	-	55 230	-	24 468	252 948
Mpopolai KG	173 250	-	55 230	-	24 468	252 948
Olifant MI	430 710	-	137 790	-	24 468	592 968
Olifant OP	430 710	-	137 790	-	24 468	592 968
Phacwane AS	173 250	-	55 230	-	24 468	252 948
Scholts AP	430 710	-	137 790	-	24 468	592 968
Sebe TP	173 250	-	55 230	-	24 468	252 948
Seepamere KJ	173 250	-	55 230	-	24 468	252 948
Seleke OR	430 710	-	137 790	-	24 468	592 968
Sethi DJ	459 437	-	146 983	-	24 468	630 888
Sibinda EV	173 250	-	55 230	-	24 468	252 948
Tafane NG	173 250	-	55 230	-	24 468	252 948
Tladi EH	173 250	-	55 230	-	24 468	252 948
Tlhaganyane T	173 250	-	55 230	-	24 468	252 948
Tong	57 120	-	19 040	-	8 156	84 316
Tshipo GJ	430 710	-	137 790	-	24 468	592 968
Tyalimpi KR	173 250	-	55 230	-	24 468	252 948

# Greater Taung Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

					2017	2016
<b>28. Remuneration of councillors (continued)</b>						
Wesi LC	173 250	-	55 230	-	24 468	252 948
Prior year audit adjustment	-	-	-	-	-	444 690
	<b>12 135 596</b>	<b>-</b>	<b>3 873 206</b>	<b>-</b>	<b>1 237 673</b>	<b>17 691 165</b>
<b>29. Depreciation and amortisation</b>						
Property, plant and equipment					31 987 394	17 680 592
Intangible assets					51 242	172 975
					<b>32 038 636</b>	<b>17 853 567</b>
<b>30. Finance costs</b>						
Trade and other payables					23 301	108 173
Finance leases					8 508	58 867
Finance charges on landfill sites					592 199	654 638
Finance charges on employee benefits obligation					928 971	813 153
					<b>1 552 979</b>	<b>1 634 831</b>
<b>Finance charges on employee benefit obligation relates to:</b>						
Post retirement benefits: medical aid (refer to note 14)					668 400	592 468
Long service awards (refer to note 14)					260 571	220 685
					<b>928 971</b>	<b>813 153</b>
<b>31. Allowance for impairment</b>						
Debt impairment					1 907 566	(7 658 530)
Bad debts written off					1 301 725	514 533
					<b>3 209 291</b>	<b>(7 143 997)</b>
<b>32. Repairs and maintenance</b>						
Buildings					1 393 143	1 228 257
Computer equipment					904 296	141 659
Network maintenance					9 166 745	2 909 577
Street and storm water drainage					571 470	872 506
Tools					380 534	610 615
Vehicles					1 919 096	2 094 568
					<b>14 335 284</b>	<b>7 857 182</b>
<b>Repairs and maintenance: Nature</b>						
Labour					608 428	117 609
Contracted services					8 827 846	831 391
Materials					4 899 010	6 908 182
					<b>14 335 284</b>	<b>7 857 182</b>

# Greater Taung Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

				2017	2016
<b>33. Bulk purchases</b>					
Electricity				3 301 956	3 208 721
Distribution losses incurred on water and electricity:					
Distribution losses relates to unaccounted electricity distributions. The cost mainly arises from, inter alia, illegal connections to the electricity network and bridging of meters by consumers. According to NERSA, the acceptable levels of energy losses are between: 5% - 12%.					
<b>2017</b>	Total sales (units)	Less total purchases (units)	(Loss)/gain (units)	% loss on purchases	Rand value of loss at purchase price
Electricity	2 542 118	2 632 858	90 740	3 %	113 812
<b>2016</b>	Total sales (units)	Less total purchases (units)	(Loss)/gain (units)	% loss on purchases	Rand value of loss at purchase price
Electricity	2 482 349	2 792 873	310 524	1 %	356 780
<b>34. Contracted services</b>					
Information technology services				1 224 860	1 271 234
Legal costs				2 644 390	3 346 815
Other contractors				7 005 585	3 893 350
Security services				6 375 529	5 185 516
				<b>17 250 364</b>	<b>13 696 915</b>

# Greater Taung Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

	2017	2016
<b>35. General expenses</b>		
Accommodation costs	1 261 378	1 062 755
Advertising cost	1 198 839	600 100
Allowance ward committee members	2 112 931	3 158 245
Auditors remuneration	2 824 787	2 443 381
Bank charges	218 143	154 746
Business support/SMME facilitation	26 672	104 875
Cleaning	402 287	625 279
Community expenditure	4 130 190	-
Consulting and professional fees	5 357 593	807 212
Consumables	438 892	790 874
Council bursary	924 687	933 540
Disaster expense	330 755	209 633
Discount allowed	50 232	96 395
Document management	268 021	298 080
Electricity	2 811 498	2 370 839
Entertainment	721 564	1 441 417
EPWP expenditure	1 299 160	1 964 316
FMG grant expenditure	1 991 506	1 779 475
Fuel and oil	4 115 982	4 143 587
Health and safety	165 886	267 721
Indigent support	5 043 861	4 185 811
LED expenditure	533 856	170 222
Library grant expenditure	1 247 742	310 567
Magazines, books and periodicals	400	1 656
MIG grant expenditure	1 699 944	1 608 477
MSIG grant expenditure	-	856 586
Movement in provisions	(308 286)	(188 705)
NDP expenditure	-	585 493
Postage and courier	20 787	29 759
Printing and stationery	618 657	459 841
Protective clothing	396 555	270 409
Public participation	2 405 488	2 282 329
Sports	225 000	150 000
Subscriptions and membership fees	1 025 062	887 818
Title deed search fees	236 284	325 774
Tourism development	42 450	32 360
Training	794 609	942 112
Travel - local	1 665 961	1 390 436
Venue expenses	660 997	562 205
Water usage	873 058	82 698
Workmens compensation fund	620 263	581 458
	<b>48 453 691</b>	<b>38 779 776</b>



# Greater Taung Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

	2017	2016
<b>35. General expenses (continued)</b>		
The nature of the grant expenditure is as follows:		
EPWP grant: This grant is used to pay remuneration of EPWP workers. R1299 159.86		
FMG grant: The grant is used to pay expenditure on:		
Accommodation: R49 614.22		
Travel allowance: R47 954.28		
Salaries: R415 569.22		
Contracted services: R1478 367.78		
MIG grant: This grant is used to pay expenditure on:		
Accommodation: R56 465.17		
Travel allowance: R169 564.8		
Salaries: R1630 887.53		
Contracted services: R156 973.46		
Library grant: This grant is used to pay expenditure on:		
Salaries: R322 835.68		
Social events for community: R154 878.34		
Consumables: R623 090.10		
Maintenance and upgrade of library buildings: R146 938.33		
<b>36. Fair value adjustments</b>		
<b>37. Auditors' remuneration</b>		
Fees	2 824 787	2 443 381
<b>38. Cash generated from operations</b>		
Surplus	61 549 782	82 047 098
<b>Adjustments for:</b>		
Depreciation and amortisation	25 809 905	11 288 828
Loss on sale of property, plant and equipment	476 712	40 764
Loss on disposal of assets	-	-
Impairment of assets	6 243 595	3 837 140
Allowance for impairment	3 209 291	(8 253 541)
Movements in retirement benefit assets and liabilities	1 205 842	1 294 901
Movements in provisions-landfill	283 914	465 931
Non-cash items in PPE	-	2 727 599
<b>Changes in working capital:</b>		
Inventories	15 224	(20 218)
Receivables from exchange transactions	(13 468 264)	(1 669 230)
Receivables from non-exchange transactions	(1 490 203)	(2 565 376)
Payables from exchange transactions	3 012 264	3 550 865
VAT receivable	(887 024)	(5 144 498)
Unspent conditional grants and receipts	9 647 712	(28 574 421)
Consumer deposits	(18 665)	(8 200)
	<b>95 590 085</b>	<b>59 017 642</b>

# Greater Taung Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

	2017	2016
<b>39. Commitments</b>		
<b>Authorised capital expenditure</b>		
<b>Already contracted for but not provided for</b>		
• Property, plant and equipment	16 102 159	24 883 596
<b>Total capital commitments</b>		
Already contracted for but not provided for	16 102 159	24 883 596
<b>Authorised operational expenditure</b>		
<b>Already contracted for but not provided for</b>		
• Operating activities	2 960 238	6 290 153
<b>Total operational commitments</b>		
Already contracted for but not provided for	2 960 238	6 290 153
<b>Total commitments</b>		
<b>Total commitments</b>		
Authorised capital expenditure	16 102 159	24 883 596
Authorised operational expenditure	2 960 238	6 290 153
	<b>19 062 397</b>	<b>31 173 749</b>

This committed expenditure relates to property and will be financed by available bank facilities and existing cash resources, funds internally generated etc.

# Greater Taung Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

	2017	2016
<b>40. Contingencies</b>		
<b>Claims and damages</b>		
Maxima Global Engineering: issued a summons against the municipality for an alleged breach of contract after developing 2000 RDP houses. The private arbitration proceedings have resumed and further hearings been conducted. The matter is still pending.	-	1 500 000
Cedar Point Joint Venture: Issued summons against the municipality relying on an alleged repudiation of contract by the municipality. The municipality is taking a "locus standi" of the joint venture to institute legal proceedings on the ground that the joint venture is an unincorporated joint venture and was established purely for the purpose of submission of the tender.	3 500 000	2 096 681
Martin Vermaak: Issued summons against the municipality for dismissal from work which he considered was procedurally and substantively unfair, and it was ordered that he be reinstated and remunerated seven months salary.	329 000	340 817
Martin Vermaak: This is for an arbitration hearing held between the applicant and the municipality.	410 000	-
Samwu Thuso Bloem: He lodged a grievance with the CCMA which also got dismissed and the determination of the disciplinary enquiry upheld. A review application was filed and the Greater Taung Local Municipality filed a statement of defence.	-	44 987
C/N. 212/2016: (Rustenburg): BA Tihage/GTLM: Claim for R400 000 finalised, applicant's application dismissed.	-	400 000
C/N 336/2015: Phungo Attorneys/GTLM: Default judgment rescinded.	-	101 574
C/N 345/2015: Telkom SA/GTLM: Claim for damaged Telkom cables.	-	50 535
Thalami Lekhotla Consortium // GTLM: Application for summary judgement for retention fees in respect of the construction of a community hall by a contractor.	2 950 000	-
R.Makgale // GTLM: This is an application for the eviction of the respondent on the specific land.	1 500 000	-
Mr.Seleke/GLTM - This is an application for the demolition of immovable property, as there was no submission and approval of the building claim.	100 000	-
C/N 356/2015: GTLM/Various unlawful land occupiers - eviction order granted	50 000	-
C/N 336/2015: Phungo attorneys/GTLM: Legal services rendered: action pending.	50 000	-
C/N 345/2015: Telkom SA Ltd/GLTM: Claim against municipality for damages rendered.	55 000	-
	<b>8 944 000</b>	<b>4 534 594</b>

The municipality operated on an illegal landfill site without the necessary licence. The municipality can be fined and/or criminal charges can be filed for the offence in terms of the National Environmental Management Waste Act of 2008. The maximum penalty imposed on such an offence approximates R 10 million. The outcome will be confirmed through the courts.

# Greater Taung Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

2017

2016

### 40. Contingencies (continued)

#### Contingent assets

The Manokwane Disaster Project was subsequently identified to be irregular expenditure. In accordance with MFMA section 167, this irregular expenditure must be recovered and was handed over to Ernst & Young Inc and subsequently a forensic report was issued. The investigation consisted of confirming whether irregularities incurred during the spending on the Manokwane Disaster project. The matter is currently at MPAC. Expenditure which may be recoverable amounts to R3 273 102.

The municipality purchased building material for Maxima Global engineering and was placed in both Maxima Engineering and Buya Nempumelelo's possession. Neither Maxima nor Buya Nempumelelo performed their duties and the material remained in their possession. A dispute arose between Maxima and Buya Nempumelelo which resulted in the material being moved unlawfully. The municipality attempted to regain possession of the material and were unsuccessful. Isang Nakale INC were appointed to recover from both companies an amount of R1 500 000.

Rename Mokalané Incorporated: Mokhetle INC is representing the municipality on bills of 3 tax invoices for Maxima Global Engineering. The company was considered to have fraudulently over exhaustive bills for the work not done. Expenditure which may be recovered amounts to R377 000.

T.Bloem/GLTM - T.Bloem submitted a labour court application for reinstatement against the municipality. The case was dismissed with a cost amounting to R280 000.

R.Makgale/GLTM - An application for an interdict restraining the municipality from digging and fetching soil from the applicant's allegedly owned land. The case was dismissed and the current cost amount to R200 000.

### 41. Related parties

#### Relationships

Accounting Officer

Refer to the report

Members of key management

Refer to note 27

Members of Council

Refer to note 28

The municipality receives internal audit and risk management services from Dr Ruth Segomotsi Mompoti District Municipality for no value.

Key management and Councillors receive and pay services on the same terms and conditions as other rate payers. These transactions are recorded at arm's length. Refer to note 25 and note 26.

Compensation to the Accounting Officer and key management is set out in note 25 and note 26 to the Annual Financial Statements.

### 42. Prior period errors

The following errors relating to prior years were identified in the current period and have been adjusted as indicated as below:

#### Cash flow statement

##### Cash flow from operating activities

Grants	179 889 999	208 038 999
Employee cost	(88 316 262)	(89 289 411)
Finance cost	-	167 040
Suppliers	(65 562 123)	(92 629 692)
	<b>26 011 614</b>	<b>26 286 936</b>

# Greater Taung Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand

### 42. Prior period errors (continued)

Statement of financial performance	Balance as previously reported	Change in accounting policy	Prior period error	Reclassified	Total
<b>Revenue</b>					
Service charges	8 256 899	-	-	-	8 256 899
Rental of facilities and equipment	361 042	-	-	-	361 042
Other income (exchange)	1 340 010	-	-	-	1 340 010
Investment income	10 863 603	-	-	-	10 863 603
Property rates	14 277 978	-	-	-	14 277 978
Property rates - penalties imposed	3 271 460	-	-	-	3 271 460
Government grants and subsidies	208 464 420	-	-	-	208 464 420
Other income (non-exchange)	84 650	-	-	-	84 650
	<b>246 920 062</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>246 920 062</b>
<b>Expenses</b>					
Employee related cost	(71 598 246)	-	-	-	(71 598 246)
Remuneration of councillors	(17 691 165)	-	-	-	(17 691 165)
Depreciation	(23 633 474)	-	9 617 047	-	(14 016 427)
Finance cost	(1 634 831)	-	-	-	(1 634 831)
Allowance for impairment	7 143 997	-	-	-	7 143 997
Repairs and maintenance	(7 857 184)	-	-	-	(7 857 184)
Bulk purchases	(3 208 721)	-	-	-	(3 208 721)
Contracted services	(13 696 914)	-	-	-	(13 696 914)
General expenses	(42 367 417)	-	(249 499)	-	(42 616 916)
	<b>(174 543 955)</b>	<b>-</b>	<b>9 367 548</b>	<b>-</b>	<b>(165 176 407)</b>
Operating (deficit) / surplus	72 376 107	-	9 367 548	-	81 743 655
Gain on disposal of assets	(40 764)	-	-	-	(40 764)
Actuarial gain / (loss)	344 207	-	-	-	344 207
	<b>72 679 550</b>	<b>-</b>	<b>9 367 548</b>	<b>-</b>	<b>82 047 098</b>
<b>Statement of financial position</b>					
<b>Current assets</b>					
Inventories	7 119 106	-	-	-	7 119 106
Receivables from exchange transactions	14 281 591	-	-	-	14 281 591
VAT receivable	6 486 022	-	-	-	6 486 022
Receivables from non-exchange transactions	20 038 687	-	-	-	20 038 687
Cash and cash equivalents	116 037 909	-	-	-	116 037 909
	<b>163 963 315</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>163 963 315</b>
<b>Non-current assets</b>					
Investment property	21 534 000	-	-	-	21 534 000
Property, plant and equipment	465 252 335	-	9 824 404	-	475 076 739
Intangible assets	482 590	-	(207 357)	-	275 233
	<b>487 268 925</b>	<b>-</b>	<b>9 617 047</b>	<b>-</b>	<b>496 885 972</b>

# Greater Taung Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand

### 42. Prior period errors (continued)

#### Current liabilities

Finance lease obligation	341 154	-	-	-	341 154
Payables from exchange transactions	25 847 698	-	249 499	-	26 097 197
Consumer deposits	123 734	-	-	-	123 734
Employee benefit obligation	248 126	-	-	-	248 126
Unspent conditional grants and receipts	2 514 630	-	-	-	2 514 630
Provisions	1 536 267	-	-	-	1 536 267
	<b>30 611 609</b>	<b>-</b>	<b>249 499</b>	<b>-</b>	<b>30 861 108</b>

#### Non-current liabilities

Employee benefit obligation	10 035 279	-	-	-	10 035 279
Provisions	10 430 757	-	-	-	10 430 757
	<b>20 466 036</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>20 466 036</b>

#### Net assets

Accumulated surplus	600 154 593	-	9 367 550	-	609 522 143
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#### 1. Accruals

Payables from exchange transaction were understated and general expenditure were overstated as a result of invoices that were captured in the incorrect financial year. The invoices related to accruals of the previous financial year.

#### Statement of financial position

Increase in payables from exchange transactions	-	249 499
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#### Statement of financial performance

Decrease in general expenditure	-	(249 499)
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2. Intangible assets: Property, plant and equipment was overstated and intangible asset were understated, due to an intangible assets that was incorrectly classified as Property, plant and equipment. Furthermore in the previous year no amortisation were recognised on intangible assets with finite useful lives.

#### Statement of financial position

Increase in Property, plant and equipment	-	9 824 404
Decrease in Intangible assets	-	(207 357)
	<b>-</b>	<b>9 617 047</b>

#### Statement of financial performance

Depreciation and amortisation	-	(9 617 047)
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# Greater Taung Local Municipality

Annual Financial Statements for the year ended 30 June 2017

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### 43. Risk management

#### Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (cash flow interest rate risk), credit risk and liquidity risk.

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance. Risk management is carried out by a central treasury department (entity treasury) under policies approved. Municipality treasury identifies, evaluates and hedges financial risks in close co-operation with the municipality's operating units. It provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Exposure to interest rate, liquidity and credit risk arises in the normal course of the municipality's operations. This note presents information about the municipality's exposure to each of the above risks, its policies and processes for measuring and managing risk, and the municipality's management of capital. Further quantitative disclosures are included throughout these financial statements.

The District Audit and Risk Committee is responsible for overseeing the integrated risk management policies and activities. The policies were established to ensure a structured approach to the identification and mitigation of risks across the municipality to an acceptable level. The policies and systems are reviewed regularly to ensure that they keep pace with best practices and regulatory requirements.

#### Liquidity risk

Liquidity risk is the risk of the municipality not being able to meet its obligations as they fall due. The municipality's approach to managing liquidity risk is to ensure that sufficient liquidity is available to meet its liabilities when due, without incurring unacceptable losses or risking damage to the municipality's reputation.

The municipality ensures that it has sufficient cash on demand to meet expected operating expenses through the use of cash flow forecasts. Payables are settled within 30 days when the invoice is received. National and provincial grant funding is received in terms of the Division of Revenue Act (DoRA).

At 30 June 2017	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Consumer deposits	105 069	-	-	-
Finance lease obligation	523 267	569 254	602 432	-
Payables from exchange transactions	29 109 461	-	-	-
At 30 June 2016	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Consumer deposits	123 734	-	-	-
Finance lease obligation	341 154	-	-	-
Payables from exchange transactions	26 097 197	-	-	-

# Greater Taung Local Municipality

Annual Financial Statements for the year ended 30 June 2017

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### 43. Risk management (continued)

#### Credit risk

Credit risk is the risk of financial loss to the municipality if customers or counterparties to financial instruments fail to meet their contractual obligations, and rises principally from the municipality's receivables from exchange and cash and cash equivalents. The carrying amount of financial assets presents the maximum credit exposure.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2017	2016
Cash and cash equivalents	161 944 715	116 037 909
Receivables from exchange transactions	24 540 565	14 281 591
Receivables from non-exchange transactions (grants)	106 711	-

Cash and cash equivalents:

The municipality limits its exposure to credit risk by investing with only reputable financial institutions that have a sound credit rating, and within specific guidelines set in accordance with Council's approved investment policy. Consequently, the municipality does not consider there to be any significant exposure to credit risk.

Receivables from exchange transactions and non-exchange transactions:

Receivables are amounts owing by consumers, and are presented net of impairment losses. The municipality has a credit risk policy in place, and the exposure to credit risk is monitored on an ongoing basis. The municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services, without recourse to an assessment of creditworthiness. There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's strategy for managing its risk includes encouraging residents to install water management devices that control water flow to households, as well as prepaid electricity meters. In certain instances, a deposit is required for new service connections, serving as a guarantee.

The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the statement of financial performance. The municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers and not concentrated in any particular sector or geographic area. The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of receivables. The average credit period on services rendered is 30 days from date of invoice.

Capital management:

The primary objective of managing the municipality's capital is to see to it that there is sufficient cash available to support the municipality's funding requirements, including capital expenditure, to ensure that the municipality remains financially sound.

The capital structure of the municipality consists out of debt, including finance leases, cash and cash equivalents disclosed and net assets as disclosed in the Statement of Financial Position. There have been no changes to what the municipality manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

### 44. Going concern

We draw attention to the fact that at 30 June 2017, the municipality had accumulated surpluses of R 671 086 790 and that the municipality's total assets exceed its liabilities by R 671 086 790.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

### 45. Unauthorised expenditure

Opening balance	55 476 381	28 921 944
Overspending on budget	3 420 071	26 554 437
Written off	(29 433 488)	-
	<b>29 462 964</b>	<b>55 476 381</b>



# Greater Taung Local Municipality

Annual Financial Statements for the year ended 30 June 2017

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### 46. Fruitless and wasteful expenditure

Opening balance	1 139 179	986 473
Add: current year	2 196 335	152 706
Written off	(1 862 375)	-
	<b>1 473 139</b>	<b>1 139 179</b>

Fruitless expenditure relates to interest on Eskom accounts, the Auditor General, Telkom, Petrol cards, illegitimate insurance claims and additional interest and penalties paid to SARS.

#### Analysis of expenditure

Eskom interest paid	7 813	3 655
Petrol cards interest paid	11 405	-
Telkom interest paid	4 104	3 394
Insurance claim not paid	25 323	-
Interest and penalties paid to SARS	2 147 690	101 499
MTN interest paid	-	32 808
Accommodation	-	11 350
	<b>2 196 335</b>	<b>152 706</b>

### 47. Irregular expenditure

Opening balance	134 349 027	120 951 568
Add: Irregular expenditure - current year	11 999 554	13 397 459
	<b>146 348 581</b>	<b>134 349 027</b>

# Greater Taung Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

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### 47. Irregular expenditure (continued)

#### Details of irregular expenditure – current year

Business Engineering - IT services was rendered without following proper supply chain management processes	Disciplinary steps taken/criminal proceedings Still under investigation	389 771
Vaaltar Radio Station - radio slots were obtained without following proper supply chain management processes	Still under investigation	350 000
Bojosinyane & Association - legal services were obtained without following proper supply chain management processes	Still under investigation	184 163
Shuping Attorney - legal services were obtained without following proper supply chain management processes	Still under investigation	307 637
Reivilo Elektries - electrical services was obtained without following proper supply chain management processes	Still under investigation	2 498 386
Ingrids Labour and Legal Consultancy - legal services were obtained without following proper supply chain management processes	Still under investigation	418 511
Kgomo Attorneys - legal services were obtained without following proper supply chain management processes	Still under investigation	490 395
Mokhetle Attorneys - legal services were obtained without following proper supply chain management processes	Still under investigation	96 417
Suppliers appointed that are in service of the state	Still under investigation	2 341 988
Suppliers used which contracts have expired	Still under investigation	2 983
Extension of contract not as per section 118 of the MFMA	Still under investigation	4 455 464
PAYE of councillors not taxed as per legislation	Still under investigation	463 839
		<b>11 999 554</b>

### 48. Additional disclosure in terms of Municipal Finance Management Act

#### Contributions to organised local government

Current year subscription / fee	1 013 348	887 818
Amount paid - current year	(1 013 348)	(887 818)
	<b>-</b>	<b>-</b>

#### Audit fees

Opening balance	-	-
Current year	2 824 787	2 443 381
Amount paid - current year	(2 824 787)	(2 443 381)
	<b>-</b>	<b>-</b>

#### PAYE and UIF

Opening balance	-	-
Current year	13 469 549	11 726 798
Amount paid - current year	(13 469 549)	(11 726 798)
	<b>-</b>	<b>-</b>

# Greater Taung Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

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### 48. Additional disclosure in terms of Municipal Finance Management Act (continued)

#### Pension and medical aid deductions

Opening balance	-	-
Current year	17 108 452	16 816 034
Amount paid - current year	(17 108 452)	(16 816 034)
	<u>-</u>	<u>-</u>

#### VAT

VAT receivable	<u>7 373 046</u>	<u>6 486 022</u>
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VAT output payables and VAT input receivables are shown in note 7.

All VAT returns have been submitted by the due date throughout the year.

#### Councillors' arrear consumer accounts

The following councilors had arrear accounts outstanding for more than 90 days at 30 June 2017:

30 June 2017	Outstanding less than 90 days	Outstanding more than 90 days	Total
Sebolai KL	<u>363</u>	<u>1 148</u>	<u>1 511</u>
30 June 2016	Outstanding less than 90 days	Outstanding more than 90 days	Total
Scholts AP	1 478	-	1 478
Kgatlhane E	548	207	755
Setho JD	5	40	45
Sethi JD	38	-	38
Sethi JD	70	-	70
Kanyane MS	78	97	175
Thomas BF	188	-	188
	<u>2 405</u>	<u>344</u>	<u>2 749</u>

During the year the following councilors' had arrear accounts outstanding for more than 90 days.

30 June 2017	Highest outstanding amount	Aging (in days)
Sebolai KL	<u>782</u>	<u>365</u>
30 June 2016	Highest outstanding amount	Aging (in days)
Kgatlhane E	<u>207</u>	<u>365</u>

# Greater Taung Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

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### 48. Additional disclosure in terms of Municipal Finance Management Act (continued)

#### Non-compliance

Non-compliance relates to accounts not paid within 30 days of receiving invoices or statements of account. In the current year all invoices were paid within 30 days.

#### Incident

G4S Cash Solutions	-	384
G4S Cash Solutions	-	384
G4S Cash Solutions	-	5 541
G4S Cash Solutions	-	2 774
G4S Cash Solutions	-	5 735
G4S Cash Solutions	-	2 872
Eskom	-	38 799
	<u>-</u>	<u>56 489</u>

### 49. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the Accounting Officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the Accounting Officer and includes a note to the annual financial statements.

The reasons for these deviations were documented and reported to the Accounting Officer who considered them and subsequently approved the deviation from the normal supply chain management regulations. The expenses incurred as listed hereunder have been approved:

#### Deviations

Emergency	11 134	590 743
Sole supplier	424 870	424 446
Impractical/impossible to follow procurement process	4 749 678	123 896
The municipality was offered accommodation for free. Only food was paid for	-	43 900
	<u>5 185 682</u>	<u>1 182 985</u>

### 50. Budget differences

#### Material differences between budget and actual amounts

Service charges: The low service income from electricity is due to the installation and usage of prepaid meters instead of conventional meters.

Investment income: Interest from external investments were under budgeted; this is due to the uncertainty of the interest maturity.

Other income: This comprises of tender fees, burial fees and reconnection fees which is not guaranteed to be received. It will be upon request of consumers when they purchase documents or pay for the burial of a grave. Further included is the sale of municipal assets. This is income received from the auction of assets on 30 June 2017. Assets sold related to the current and the previous financial year.

# Greater Taung Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

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Figures in Rand

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### 50. Budget differences (continued)

Other income (transfer revenue): This is income received from SETA for training. The municipality recoups a certain percentage upon attendance of SETA accredited training.

Repairs and maintenance: The expenditure was underspend due to not all procurement plans for repairs and maintenance being implemented as required.

Contracted services: The expenditure was over budgeted due to high legal costs that incurred in the previous year. In the current year legal cost spend were at a minimal.

Bulk purchases: The actual spend were lower due to the implementation of electricity pre-paid meters. The municipality is no longer purchasing bulk electricity for re-sale as it did in the previous financial years.